

WORLD BUTTER MARKET REPORT

2000-2020



The World Butter Market Report

PM FOOD & DAIRY CONSULTING is publishing a new report: **The World Butter Market Report 2000-2020**.

The new report contains 230 pages of valuable information and analysis of the world butter market (see content of the report).

The report gives the overall view of the development on the world market for butter/butter blends products from 2000-2015 in all regions of the world.

The future prospects for global butter market from 2015 to 2020 are analyzed with focus on consumer trends, developments in the emerging dairy markets, new markets and the future structure of the butter producing companies.

The report also provides in debt analysis 42 countries from all region of the world and several new countries are added to the analysis since the last edition especially in Asia and Africa. This provides all the necessary information for evaluating the different butter markets in the world and the future potential for expansion.

Is your company seeking new opportunities in the global butter market this report is a must!

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Content

1. Introduction	7
1.1. Background	7
1.2. Objective and scope	7
1.3. Content of the report	7
1.4. Product coverage	9
1.5. Time scale	9
1.6. Report sources	9
PART I: GENERAL ANALYSIS	11
2. World butter production	12
2.1. Butter definition	13
2.2. World butter fat production	13
2.3. World butter production	15
2.4. EU butter production	17
2.5. Production prognosis 2020	19
2.6. Butter oil	20
3. World butter consumption	22
3.1. Historically development	22
3.2. Butter consumption	22
3.3. Butter consumption per capita	26
3.4. Consumer trends	28
3.4.1. Converging consumer trends	28
3.4.2. Retail chains	29
3.4.3. Health issues	32
3.4.4. Return to dairy	33
3.5. Future butter market prospects	34
4. Trade patterns	36
4.1. Global trade	36
4.2. Major exporters	36
4.2.1 EU	40
4.2.2. The US	42
4.2.3. New Zealand	43
4.3. Major importers	44
4.3.1. Russia	45
4.3.2. The US	47
4.3.3. China	47
4.4. International butter prices	49
4.5. Future trade with butter	50
4.6. Trade agreements	51
4.6.1. Introduction	51
4.6.2. WTO	52
4.6.3. Other trade agreements	53
4.6.4. Comments on TPP agreement	56
4.6.5 Summary	58
5. Major butter manufacturing companies	59
5.1. World largest dairy companies	59

5.2. World largest butter manufacturing companies.....	62
6. Food service and food industry	66
6.1. Utilization in food service and food industry.....	66
6.2. Market segment	67
7. Butter blends	69
7.1. Definitions.....	69
7.2. Production	70
7.3. Market developments	71
7.4. Industrial applications	73
7.5. Future possibilities	73
8. Oils and fats market.....	74
8.1. Butter and the oils and fats market	74
8.2. Future trends	76
9. Analysis of the future possibilities for butter	77
9.1. Mega trends	77
9.2. SWOT analysis	78
9.3. Future markets for butter fat.....	80
9.4. Strategies for the butter producing companies.....	83
10. Conclusions and recommendations.....	85
10.1. Conclusions	85
10.2. Recommendations.....	88
PART II: REGIONAL AND NATIONAL ANALYSES.....	89
EU-27	90
Germany	91
France	95
Poland	99
Netherlands	103
Ireland	106
United Kingdom	109
Italy	113
Finland.....	116
Czech Republic	119
Spain.....	122
Denmark.....	124
Austria	128
Belgium.....	131
Sweden	134
Portugal	136
Slovakia	138
Romania	141
Hungary	144
Other Europe.....	147
Switzerland	148
Norway	151
CIS.....	154

Russia	155
Ukraine	159
Belarus.....	162
North America.....	165
USA.....	166
Canada.....	171
Mexico.....	174
South America.....	177
Brazil.....	178
Argentina	181
Chile.....	184
Uruguay	187
Oceania	189
Australia	190
New Zealand	194
Asia	197
India	198
Pakistan	201
Iran	203
China	206
Japan	209
MEA	212
Egypt.....	213
Israel.....	216
Saudi Arabia.....	219
Turkey.....	222
South Africa	225

1. Introduction

1.1. Background

Butter has been the main product for the dairy industry for centuries and the dairies was classified according to the butter quality. For many consumers butter was a luxury product connected with high status. From the late 19th century until 1970s the majority of the export of dairy products was butter and major brands like Président, Anchor, Lurpak, Land O'Lakes and Kerrygold was established on the international market.

In the last two decades, the consumer focus has changed from butter as a luxury product to a major concern about saturated fats and cholesterol problems. The consequence was a decline in the consumption of traditional butter and this trend has continued until now. The response from the dairy industry was launching low fat butter and butter blends and this has to some extent kept up the total butterfat sales.

However, in recent years the critic of butter and saturated fats has been changed by several studies indicating that butter is not unhealthy and at the same time the critic of palm oil has intensified due to the unsustainable production methods

Meanwhile other outlets have been created in the food service and food industry where butter is replacing other types of fats.

1.2. Objective and scope

The objective of this report is to analyze the market for butter and butter blends in relation to the future challenges and possibilities. The report aims to identify the general trends for the future world butter market combined with an analysis of the regional developments and the butter market in 41 countries. This makes it possible to point out the future possibilities and market potentials for butter and butter blends and finally to set up strategies for the dairy industry.

1.3. Content of the report

The report will focus on the development of the global butter market in relation to production, consumption, trade, and major players both countries and companies. The report is divided into two parts where:

- **Part I** is analyzing the global trends and prospects for butter and butter blends in the future
- **Part II** is the regional and national butter markets (50 countries)

The development of the global butter production is described and analyzed in **chapter 2** identifying the major butter producing countries. The focus is also on the national or regional policies that regulate the butter production – especially the intervention system in EU and the buy-up scheme in the US that has a significant effect on the internal and international prices for butter. What will happen when and if these regulatory measures are dismantled and finally what are the future prospects for the global butter and butter fat production until 2015.

Chapter 3 describes and analyses the consumption of butter and butter blends in the last two decades and identifies the major trends in the different regions. What are the expectations for the butter market in the future and which consumer trends will dominate the consumption pattern. There is also focus on the alternative outlet for butter to food service and the food industry.

Chapter 4 analyses the world butter trade and identifies the major exporters and importers. There is also focus on EU intra-trade which amounts to 70% of the world trade. The development of the world market prices for butter is assessed. The prospects for the world butter market in the medium term (2020) and long term (2025) is outlined. Finally, the impact of bilateral and multilateral trade agreements on the world butter market is analyzed.

The major butter manufacturing companies in the world are identified in **chapter 5** and a top 30 is set up. The butter industry is compared to the overall picture of the world dairy industry. Finally, the future prospects for the butter manufacturing industry are assessed.

In **chapter 6** the utilization of butter fat in food service and the food industry is analyzed. This outlet is expected to be expanding in the future and one of the major growth areas in the emerging economies where there is no tradition for consuming traditional butter. Both butter oil (AMF) and butter blends are included in the evaluations

Chapter 7 is analyzing butter blends as a future developing area for the outlet for butter fat. The new products with vegetable oil and functional additives have proven to be a success in several countries and the total sales of butter fat has increased. What are the prospects for penetrating new markets with these products and what is the global potential.

In **chapter 8** the scope is broadened to analyze the role of butter and butter blends in the oils and fats market in general including vegetable oil, margarine and cooking fats. This includes identifying regional differences. The key questions are if the vegetable oils will squeeze the butter based products due to the consumers increasing focus on saturated fats and health issues.

Chapter 9 outlines the possibilities for butter in the future. First, the aim is identifying the major mega trends that will characterize the next decade. Secondly, an opportunity and threats analysis specific for the dairy and butter segment in the future. Thirdly, the potential new markets will be identified and also the possible future butter products.

Finally, the chapter concludes and summarizes the recommendations for the dairy industry.

Chapter 10 summarizes the findings in the analysis in relation to the future market possibilities for butter fat in the next decade. On this basis the recommendations for the dairy industry is formulated.

Part II contains the 8 world regions (EU-28, other Europe, CIS, North America, South America, Oceania, Asia and MEA) and 41 national analyses of the butter markets. The national butter markets is selected from the criteria that the country has a butter production over 10,000 MT.

These national market analyses include:

- General information
- Butter production
- Consumption
- Major butter producing companies
- Oils and fats market
- Future prospects

1.4. Product coverage

The report concentrates the analysis on traditional butter, butter oil and butter blends. However, for several countries in Asia the butter production is measured like total butter fat production and this also includes ghee.

Butter blends consist of wide range of products with a varying butter fat content but most of the products have more than 50% butter fat. In relation to the analysis of the national markets the oils and fats market in general is used as a reference and this includes vegetable oil, cooking fats, spreadable oils and fats, and margarine.

1.5. Time scale

Descriptive market analysis: 2000/2010-2014

Prognosis for the butter market developments: 2014-2020

1.6. Report sources

The report is based on PM FOOD & DAIRY CONSULTING's research of the international butter and oils and fats market and the main sources are:

- International statistics: FAO, EUROSTAT, OECD, USDA, FAPRI, ZMB, IDF, CLAL, AgraMarkets, PZ Zuviel, Euromonitor International
- National statistical information
- Embassy enquiries
- Interviews with key dairy industry persons
- National dairy associations

- Professional publications
- Dairy company websites

The evaluations and prognosis of global, regional and country markets is made by PM FOOD & DAIRY CONSULTING

Extracts from the report

2. World butter production

Butter has through the history been the primary dairy product for the dairy industry and the development for butter can be described in three phases:

Phase 1 (- 1970): The crown jewel of the dairy industry

Butter was the most valuable product for the dairy industry and the dairies was classified by the butter quality. The milk price was calculated on the basis of the fat content and the protein part was not counted as a value for the dairy processing in itself. The consumers considered butter to be a luxury product of much higher quality than margarine and vegetable oil. The butter price was high reflecting this position on the market.

Phase 2 (1970-2009): Butter as a balancing product

Butter became a surplus product due to over production in the OECD countries combined with stagnating global demand. Butter was used as a balancing product together with SMP in both EU and USA and this lead to the creation of huge surplus stocks in the 1980s with a record of 1.2 million MT in 1986 in EU equalizing more than one year of internal consumption. These huge balance problems have affected the price level for butter and it declined to \$1,000-1.500 in most of the 1980s and 90s.

Butter changed status from a luxury product and the crown jewel of the dairy industry to surplus product in the low price segment and the increasing focus on health issues and the problems with saturated fat affected the consumption negatively.

The dairy industry took a very defensively strategy toward the problems by hanging on to the strict definitions of butter with no butter blends allowed. The effect was no innovation and product development for butter in the 1980's and most of the 90s.

After the turn of the millennium the butter market has improved in relation to innovation, prices and demand, but the segment is still vulnerable to fluctuations which the period since 2008 has shown with declining prices and creation of new public stocks of butter in EU and USA.

Phase 3 (2010 -): New opportunities

The next decade can mark a shift in the market prospects for butter and butter blends and this is the major objective for this report to analyze this. Several factors point in the direction of revitalizing the world butter production and develop the market:

- The growing world population and mainly the emerging of new middle class of nearly 2 billion in the next decades. However, this will mainly be in Asia, Latin America and Africa but it creates the potential for expanding the butter consumption. However, it will be a long process with gradually incorporating dairy products and butter into the diet.
- The westernization of the diet in many parts of the world paves the way for traditional western products inclusive butter.
- The spread and fast penetration of retail chains and discounters in emerging economies creates a natural outlet for new products and effective marketing campaigns.
- The main driver to release the potential is that the world economy is dynamic and increases the consumers purchasing power

2.1. Butter definition

Butter may be defined as a fat concentrate, obtained by churning cream, gathering the fat into compact mass. According to the PFA rules (1976), table creamery butter is the product obtained from cow or buffalo milk or a combination there of, or from cream or curd from cow or buffalo milk or a combination there of with or without addition of common salt and annatto or carotene as coloring matter. It should be free from other animal fats, wax, and mineral oils (vegetable oils and fats). No preservatives except common salt and no coloring except carotene and annatto can be added. Butter must contain not less than 80% by weight of milk fat, not more than 1.5% by weight of curd and not more than 3% by weight of common salt. Butter is very rich in fat and the fat solute vitamins A, D, E, and K. This is the most common definition of butter used most of the western world.

2.2. World butter fat production

The total butter fat production in the world was 21.1 million MT in 2014 from a world milk production of approximately 663 million MT cow's milk of which 424 million MT was delivered to dairies. The butter fat is utilized in different ways, firstly as natural part of the dairy products like in drinking milk with a fat content between 0.1% for skimmed milk and 3.5-4% for whole milk, yoghurt, cream, cheese and WMP. Secondly the fat is separated from the milk and the cream is processed into different butter fat types: traditional butter, AMF, butter oil and other butter fractions.

Butter fat utilization 2014 (1000 MT)

Product	Production	Fat content	Butter fat utilization	Share per product
Drinking milk	138,331	2 %	2,766	10%
Yoghurt	27,600	2 %	552	2%
Cream	6,500	30 %	1,950	7%
Cheese	21,109	20 %	4,223	16%
WMP	4,900	30 %	1,470	5%
Butter	10,439	82 %	8,560	31%
Ghee, AMF, butter oil	5,500	100%	5,500	20%
Other uses of butter fat	2,300	100%	2,300	9%
Total			27,361	100%

Source: ZMB, IDF, USDA, PM FOOD & DAIRY CONSULTING

The total world butter fat production is based on the world milk production and the butter fat utilization is calculated on the basis of the average butter fat content in the specific product. The relatively high amount of ghee is caused by the high rate of production in India and Pakistan and the 2 million MT for other uses is for local consumption outside the dairy processing line and for usage of butter fat in the food industry and food service. Also the use of butter fat in butter blends and butter spreads is not calculated in the statistics for butter and butter oil.

3.2. Butter consumption

The world butter consumption has been increasing 40% from 2000 to 2010 with 2.4 million MT. The growth in consumption of ghee in India and Pakistan was more than 2.4 million MT so it compensated for the decline in consumption in EU and a lot of other Western countries. USA has on the other hand experienced a growth in the consumption with 100,000 MT due to growing population and increasing consumer focus on naturalness.

Regional butter consumption 2010-2020 (1000 MT)

Region	2010	2014	2015	2020	Share 2014	Change 14/20
EU-28	1,875	1,912	1,929	2,044	19%	+6%
Other Europe	55	61	61	64	0.6%	+5%
CIS	444	490	405	435	5%	-11%
North America	839	1,000	1,036	1,135	10%	+14%
South America	168	186	189	213	2%	+15%
Oceania	103	115	117	125	1%	+7%
Asia	4,958	5,897	6,095	7,016	59%	+19%
MEA	218	259	273	322	3%	+24%
World	8,660	9,920	10,105	11,354	100.0%	+13%

Source: ZMB, CLAL, IDF, USDA, PM FOOD & DAIRY CONSULTING

Overall, the world butter consumption improved with 1.2 million MT (15%) from 2010 to 2014. The consumption in EU recovered and increased by 2% but all other developed dairy regions showed higher growth. Other Europe increased by 11% and the same percentage – South America

and Oceania. Asia expanded by 19% and the growth especially was due to fast expansion in India and Pakistan.

Example of the country analysis:

Ireland																			
<p>General information</p> <p>Ireland is together with the Netherlands and Denmark the major exporters of dairy products in EU. They all export more than 60% of the milk processed in the dairy industry and for Ireland it is 80%. The main export products are butter, milk powder, cheese, milk and dairy ingredients. The Irish milk production is very similar to the New Zealand system with pasture-based production characterized by a huge seasonal difference. This impact the dairy industry's production capacity and product mix.</p> <p>The elimination will release the potential in the Irish milk production. From 2014 to 2015, the milk production has already increased by 8% so the expansion is on the way. From 2014 to 2020, the milk production is expected to increase by nearly 3.5 million MT (+40%)</p> <p>The extra milk will be utilized for production of cheese, butter, milk powder and infant formula where the industry is investing significantly but also the butter production is expected to expand substantially.</p>																			
<p>Production</p> <p>Ireland is the European country that produces the relatively largest quantity of butter. 60% of the whole milk utilization is used for butter production. This is mainly due to the grass-based milk production system that creates a seasonality problem for the dairy industry.</p> <p>From 2010 to 2014, the butter production has increased by 30,000 MT (+23%) due to the utilization of the annually expansion of the milk quota.</p> <p>The elimination of the milk quota system by April 2015 has released the potential to expand the milk production in Ireland and the butter production is expected to increase by 14,000 MT (8%).</p> <p>Butter production in Ireland 2010-2020</p> <table border="1"> <thead> <tr> <th>1000 MT</th> <th>2010</th> <th>2014</th> <th>2015</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Butter</td> <td>135</td> <td>166</td> <td>201</td> <td>270</td> </tr> </tbody> </table> <p>Source: Irish Dairy Board, PM FOOD & Dairy Consulting</p> <p>From 2014 to 2020, the butter production will increase with more than 100,000 MT (+62%) and this represents the largest expansion of the butter production in EU. The extra production will be for export and it will be a huge task to expand current markets and develop new.</p>	1000 MT	2010	2014	2015	2020	Butter	135	166	201	270	<p>Major butter producing companies</p> <p>The Irish dairy industry is characterized by very strong cooperatives and during the recent 30 years the sector has restructured and concentrated significantly. In the last ten years, the Irish dairy processing industry has diversified enormously and Irish processors is now technologically advanced and a world leader in the research and development of many important dairy ingredients with a wide range of applications in the food industry.</p> <p>The Irish dairy industry has the capability to expand and invest in the future market orientation. The major problem is the seasonality of the milk production that results in a huge overcapacity in the dairy industry to be able to process the huge amount of milk in the summer peak season.</p>								
1000 MT	2010	2014	2015	2020															
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<p>Consumption</p> <p>The Irish butter consumption is low compared to other major dairy countries in EU. The total consumption has been stable on a level of 11,000 MT in recent years. However, the consumption per capita has decreased from 3.0kg in 2003 to 2.4kg in 2014 due to a fast growing population. The consumption of pure butter product is tending towards low fat butter products.</p> <p>The butter consumption is expected to increase by 1.5-2,000 MT from 2014 to 2020 due to consumer preferences for natural products.</p> <p>In Ireland, approximately 50% of the butter is consumed in the private households and the remaining half is used for industrial purposes.</p>	<p>Butter producing companies in Ireland</p> <table border="1"> <thead> <tr> <th>Rank</th> <th>Company</th> <th>Production (MT)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Lakeland Dairies</td> <td>45,000</td> </tr> <tr> <td>2</td> <td>Glanbia</td> <td>35,000</td> </tr> <tr> <td>3</td> <td>Dairygold</td> <td>30,000</td> </tr> <tr> <td>4</td> <td>Connact Gold</td> <td>15,000</td> </tr> <tr> <td>5</td> <td>Kerry Group</td> <td>10,000</td> </tr> </tbody> </table> <p>Source: PM FOOD & DAIRY CONSULTING</p>	Rank	Company	Production (MT)	1	Lakeland Dairies	45,000	2	Glanbia	35,000	3	Dairygold	30,000	4	Connact Gold	15,000	5	Kerry Group	10,000
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Trade

Ireland is the largest exporter of butter in EU larger than Germany, France and the Netherlands. The majority of the milk in Ireland is processed into butter, milk powder, and dairy ingredients. From 2000 to 2014, the export has increased by 50,000 MT and in 2015 it is expected to increase by further 30,000 MT.

Butter/butter oil trade 2003 -2020

1000MT	2003	2010	2014	2015	2020
Export	120	134	170	201	275
Import	5	8	10	10	10
Net export	115	126	160	191	265

Source: Irish Dairy Board, ZMB, PM FOOD & DAIRY CONSULTING

The Irish milk production is expected to increase by 40% or 3.5 million MT until 2020 and this will also increase the production of butter and all the extra production will be exported. This means an increase of more than 100,000 MT from 2014 to 2020.

Butter oil trade in Ireland 2010-2020

1000MT	2010	2014	2015	2020
Export	1.2	25	22	30
Import	1.6	4	4	7
Net-export	-0.4	21	18	23

Source: ZMB, Irish Dairy Board, PM FOOD & DAIRY CONSULTING

The export of butter oil has increased significantly from 2000 to 2014 and this will continue until 2020.

The major markets for the Irish butter export are UK and Germany, which represents nearly 60% of the export in 2014. In the last five years the export to other EU countries and the US has expanded.

Ireland butter export 2010-2015 by destination

1000MT	2010	2014	2015
UK	29.5	63.1	61.4
Germany	43.2	35.8	39.4
Netherlands	9.4	16.6	34.3
France	14.0	16.6	18.6
Belgium	20.9	22.1	18.2
USA	0.4	4.2	8.8
Northern Ireland	5.3	3.2	3.7
Turkey	0.5	0.5	3.5
Egypt	0.8	0.1	2.5
Morocco	1.0	0.9	1.7

Source: ZMB, CNIEL, PM FOOD & DAIRY CONSULTING

The Irish butter (Kerrygold) has been the market leader in Germany for years and the Irish Dairy Board are promoting the sales substantially. The relatively large fluctuations in the export of butter are caused by the high degree of price sensitivity that leads to utilizing the intervention system instead of export in certain periods.

Oils and fats market

Spreadable oils and fats dominates the oils and fats market in Ireland with 61% followed by butter with 11, margarine with 10% and vegetable oil also with 10%.

The oils and fats market in Ireland has been declining in general in the period from 2010 to 2014 as consumers focuses on using less oils and fats in the diet. Besides, consumers are trading down with increasing focus on private label products which are perceived as equivalent to many branded products.

Butter was the fastest growing category in a declining market because of the changing health recommendations for butter in the social

media. The consumers are beginning to switch back to butter and also new types of flavored butter for cooking have boosted the sales.

Oils and fats retail volume 2010-2020 (1,000 MT)

	2010	2014	2020
Butter	4.7	4.8	5.5
Cooking fats	0.4	0.5	0.4
Margarine	4.7	4.2	4.0
Olive oil	1.8	1.9	2.1
Spreadable oil & fats	28.2	25.3	19.4
Vegetable oil	4.8	4.5	4.9
Total	44.6	41.2	36.3

Source: Euromonitor International, PM FOOD & DAIRY CONSULTING

Kerry Foods is the leading player in oils and fats in Ireland In 2015 with a value share of 23% although its overall position declined the major brands Dairygold and Low-Low expanded. The Irish Dairy Board (Ornua) remained the leading player within traditional butter with a value share of 26%. The Kerrygold brand remains one of the most popular of all brands and despite of increasing competition from private label.

Oils and fats company shares 2011-2015 (%retail shares)

Company	2011	2015
Kerry Foods	26.6	23.4
Unilever	16.3	15.6
McNiel Consumer Nutritionals UK	8.0	6.7
Irish Dairy Board	4.5	5.0
Boyne Valley Foods	4.2	4.0
Valeo Foods	1.5	3.6
Princes	3.4	3.5
Glanbia	3.5	3.2
Aurivo Co-operative	1.1	2.2
Dairy Crest	3.1	2.1
Arla Foods	1.0	0.8
Others	26.8	29.9
Total	100	100

Source: Euromonitor International, PM FOOD & DAIRY CONSULTING

Domestic manufactures continues to account for significant proportion of sales in the oils and fats particularly within butter. Private label accounts for 20% of total sales highest within olive oil and vegetable and seeds oil.

Future Prospects

The future prospects for the butter production and butter and fats market in Ireland from 2014 to 2020 are:

- From 2014 to 2020, the milk production is expected to increase by nearly 3.5 million MT (+40%)
- From 2014 to 2020, the butter production will increase with more than 100,000 MT (+62%) and this represents the largest expansion of the butter production in EU. The extra production will be for export and it will be a huge task to expand current markets and develop new.
- The domestic butter consumption is minimal around 11,000 MT and it will only increase marginally in the period.
- The butter producing companies in Ireland will be confronted with huge investments in extra capacity to be able to manufacture 100,000 MT of extra butter.
- The Irish market for butter will benefit from positive health messages around butter and an expected decline in consumption is now changed to a growth scenario.