Butter sales pack a punch, while margarine market goes soft

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New research from MINTEL finds Britons going back to butter, as margarine sales continue to melt away. In 2004, British consumers packed away a weighty 107,000 tonnes of butter, up 8% on 2002 figures, with volume sales set to hit the 110,000 tonne mark this year. Meanwhile, spending on butter increased by an even greater amount (15%) between 2002 and 2004, to reach some ?363 million in 2004, with Brits expected to fork out a further ?375 million on butter this year alone. What is more, in 2004 butter accounted for some 43% of the total ?849 million yellow fats market, up from just 39% two years earlier.

The main boost for the market has come from spreadable butter, which in volume terms increased by some 29% between 2002 and 2004 and by some 33% in value terms over the same period.

"In a consumer landscape that craves simplicity and a more natural approach to food, the science and competing health claims characterising the yellow fats market can often seem bewildering. As a result butter has increased market share on the back of this rising demand for authenticity, following widespread consumer concern about the implications of over-processed food. But convenience has also proved to be a key trend in this market as it seems that what the consumers want is a product with a dairy provenance, which doesn't mangle the bread and so spreadable butter seems to be the natural choice," comments MINTEL consumer analyst, Claire Birks.

Margarine now only thinly spread

Margarine and spreads lost out to butter with value share falling from 61% in 2002 to some 57% in 2004 to ?486 million. And while the amount of butter eaten by Brits rose by 8% between 2002 and 2004, margarine and spreads consumption fell by 5%.

This fall was primarily led by the declining popularity of margarine. Indeed, exclusive consumer research clearly shows the popularity of soft margarine slipping away. While back in 2002 some 70% of Brits ate margarine, by 2004 this had fallen dramatically to just 55%.

"This is a significant change for such a relatively short amount of time and reflects both the volume and value declines occurring within the margarine market. This fall highlights the need for some true innovation within this sector, since both spreads and butter are now providing consumers with the convenience and health aspects that initially fuelled sales of margarine. With the plethora of spreads available it is not difficult to see margarine sales declining further, ultimately into a niche sector," explains Claire Birks.

This year the value of the margarine and spreads sector is set to increase to some ?375 million, but this is not indicative of changing fortunes for margarine. Instead, this will be the result of the spreads sector's comparative success, where healthy spreads (such as soya, olive oil and functional spreads) in particular, are forecast to be a real growth area.

Clarifying the future

The overall yellow fats market is being hindered by general low levels of interest in the market, which has resulted in a generation of consumers that have little reason to use the product let alone experiment within the market. The impact of convenience on this market has also been key - not only do Brits spend less time on baking traditional butter rich pies and cakes at home, but the shift towards convenience foods has greatly reduced the need to cook with fats in general.

And these trends look set to continue. Convenience will play the most significant role in changing consumer perceptions of butter and consequently it will be the spreadable butter sector that will continue to make further gains.

The trade off between health considerations and the need for indulgence amongst many British consumers will also remain a prominent feature of this market. The butter market looks set to maximise its current advantage over the margarine and spreads market, by playing up the â€˜wholesomeâ€™ aspect of the product, as food processing continues to draw criticism, at least on a publicity level. On the other side of the health coin, lower fat content is still a primary issue for this market. Low-fat products have gained in value on the back of the more traditional fat fighting angle, and will continue to do so in the long term, especially given the growing waistline of the nation.?

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