QUESTIONNAIRE ON ANHYDROUS MILK FAT/BUTTER OIL

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I. Definition of products

1. The products are not defined, and names and standards are not prescribed, by statute or regulation. The United Kingdom traders in and users of these products customarily use the term "butter oil" in respect of products (whether made by extracting further moisture from butter or manufactured directly from cream) containing 95 per cent or more of milk fat, defining them further only by reference to the fat content. The butter oil normally used contains 99.5 per cent or more of milk fat, the most popular type among users being that of 99.8 per cent fat content.

   The butter oil manufactured in the United Kingdom is normally of 99.8 per cent butter fat content.

2. Importers prefer butter oil containing 99.8 per cent butter fat. There are no standards or qualities required of butter oil for export (the only exports are re-exports - see III 2).

II. Production and utilization

1. Butter oil is made only from butter which is damaged or out of condition. In these circumstances the production method and type of raw materials used tends to determine the end-use, rather than the other way round, since the butter oil made has a flavour which has to be removed by further refining before it can be used for most purposes.

2. The costs of production and the quality of the product vary according to the quality of the raw materials and the production method used. Specific information is not available as to the extent of these cost and quality variations.

3. There is no regular butter oil production programme; it is produced only as the raw materials become available. However, these become available in small quantities with fair regularity so production is reasonably regular. The quantities produced are not known but they are understood to be very small, probably not more than a few hundred tons a year. The annual production capacity is not known.
4. Butter oil (almost all of which is imported) is used in the manufacture of:

- biscuits and cakes
- ice-cream
- chocolate
- sugar confectionery
- processed cheese
- soups
- yoghurt
- ghee
- other miscellaneous foods

and for reconstitution into butter.

III. Marketing and trade

1. Butter oil is mostly packaged in polythene bags inside 25 kg. or 56 lb. cardboard cartons. Sometimes the inner packaging is of parchment instead of polythene. Occasionally it is packaged in metal drums of various sizes up to 400 lb. It is transported by rail and/or road and stored in cold or cool store.

   The type of packaging may be determined by the proposed end-use. For example, some users consider that polythene wrapping imparts a flavour to butter oil and prefer it to be packaged in other ways; and butter oil packed in metal drums has to be melted out before use, which does not suit some users.

   It is impossible to be specific about the extent to which costs vary according to the method of packaging, storage and transport used, but variations may be considerable. For example, the cost of cold storage is about twice that of cool storage.

   Butter oil has been known to have been stored for as long as ten years. Special packaging is not required for long storage.

2. Butter oil is imported on a c.i.f. or delivered-home basis. Trade within the United Kingdom is on an ex-store or delivered-home basis.

   The average c.i.f. price of imports of near butters (mainly butter oil but including some ghee) in 1970 was about £188 a metric ton. In January-July 1971 the average was about £327 a metric ton, having risen to £492 a metric ton in the month of July.

   The average f.o.b. price of exports of near butter (all of which were re-exports) in 1970 was about £164 a metric ton. In January-July 1971 the average price had risen to about £545 a metric ton.

   The only exports are very small quantities of re-exports. These totalled 186 metric tons in 1970 (of which 165 tons went to the Netherlands) and 81 tons in January-July 1971 (of which 63 tons went to the Irish Republic). These figures relate to exports of "butter, other than natural, fresh or salted (including butter fat or oil, resolidified or dehydrated butter and ghee)". Comparable figures were not available before 1970.
Imports in the years 1968 to 1970 and in January-July 1971 are shown in the annex to this reply. As for exports above, the figures relate to all "near butters". In practice, however, apart from a few hundred tons of ghee each year, these imports can be regarded as butter oil.

There are no customs tariffs or duties on butter oil.

Imports of near butters (other than ghee) have been limited by global quota since April 1968. For the current year, April 1971-March 1972, the quota was fixed at 12,500 long tons. The quota was, however, effectively suspended from 1 July-30 September 1971, being supplemented by free licensing of near butters from all sources except Southern Rhodesia. The suspension has now been extended to 31 March 1972. (Imports of ghee have been limited by a global quota since 31 July 1970. The quota for the current year, April 1971-March 1972, was 1,000 long tons but as for near butters this has now been suspended until 31 March 1972.)

There are no consumer taxes on butter oil.

3. All trade in butter oil in the United Kingdom is in the hands of private traders.

Exports are not subject to a minimum price.

IV. Substitution of ANF/butter oil

(a) By vegetable oils and animal fats

1. Many vegetable oils and animal fats (and blends of the two) are used in place of butter oil. Substitution occurs in the manufacture of all the products listed at II.4 above, except ghee and reconstituted butter.

Until about the end of 1970 there was a trend away from the use of substitute products because butter oil prices were low. Sharply increasing butter oil prices in 1971 have reversed the trend, which is now towards the increased use of substitutes.

2. The use of substitutes for butter oil has an impact on the manufacturing cost of the end product and may therefore have a direct or indirect effect on its price.

Whilst generally accepted by the consumer, some products (e.g. biscuits, cakes, ice-cream) containing substitutes for butterfat may be regarded by some consumers as inferior to those containing butterfat.

There are general requirements under labelling of food regulations (made under the Food and Drugs Act 1955) for the listing of ingredients of pre-packed manufactured foods on the label. Certain foods are exempted from these requirements, but some of these, e.g. ice-cream, are the subject of specific compositional
and labelling regulations (also made under the 1955 Act). Thus, in general, it must be stated on the packaging or label whether a product contains butterfat or an alternative ingredient such as a vegetable oil.

(b) Substitution by butter

1. Butter and butter oil are alternatives for all manufacturing purposes. Their interchangeability depends on availability and continuity of supply and on price.

2. In general butter is considered to become competitive with butter oil when its price is about 17 per cent or more below that of butter oil (e.g. butter at £500 a ton is regarded as broadly equivalent to butter oil at £600 a ton). But, as indicated at (b)1 above, its competitiveness depends on other factors as well as price.
ANNEX

Imports of Butter, Other than Natural, Fresh or Salted (Including Butterfat or Oil, Resolidified or Dehydrated Butter and Ghee)

(metric tons)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Irish Republic</td>
<td>611</td>
<td>403</td>
<td>968</td>
<td>337</td>
</tr>
<tr>
<td>Belgium</td>
<td>1,707</td>
<td>3,205</td>
<td>5,546</td>
<td>4,836</td>
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<tr>
<td>France</td>
<td>-</td>
<td>1,207</td>
<td>1,149</td>
<td>1,273</td>
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<tr>
<td>Netherlands</td>
<td>1,488</td>
<td>910</td>
<td>2,710</td>
<td>1,852</td>
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<td>West Germany</td>
<td>431</td>
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<td>180</td>
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<tr>
<td>Sweden</td>
<td>-</td>
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<td>-</td>
<td>251</td>
</tr>
<tr>
<td>Romania</td>
<td>514</td>
<td>50</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Soviet Union</td>
<td>1,222</td>
<td>399</td>
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<td>-</td>
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<tr>
<td>Australia</td>
<td>167</td>
<td>71</td>
<td>142</td>
<td>112</td>
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<tr>
<td>Kenya a</td>
<td>248</td>
<td>265</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td>Morocco</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>450</td>
</tr>
<tr>
<td>Others</td>
<td>253</td>
<td>284</td>
<td>63</td>
<td>240</td>
</tr>
<tr>
<td><strong>TOTAL b</strong></td>
<td>6,642</td>
<td>7,930</td>
<td>11,945</td>
<td>9,531</td>
</tr>
</tbody>
</table>

a Almost certainly all ghee
b Country figures have been rounded individually and do not necessarily add to the total shown.