

MSU Product Center

For Agriculture and Natural Resources

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Dairy -Butter – Few opportunities

Market drivers that provide few opportunities

- Butter products that appeal to the demand driver of **ethnicity**, **wellness** and **value** have **few** opportunities.

Specific opportunities

- In order to appeal to the demand driver of value a firm needs to be able to offer the product at the lowest price. In order to do that, the firm must be the low cost producer of the product. Generally speaking in order to be the low cost producer of the product a firm needs to take advantage of economies of scale. Large firms that handle large quantities of the product generally have a cost advantage. Small firms are unlikely to be able to compete on price with large firms.
- One way to appeal to ethnicity is through the use of labeling the product in more than one language.
- Butter is not considered a health food. However, butter does not contain Trans Fatty Acids (TFAs) as some margarines do. One way to enhance the healthfulness of butter is to add healthy oils such as olive oil or canola oil.

New product examples

- Land O' Lakes spreadable butter product with canola oil.
- Dairy Farmers of America Falfurrias brand with a label in Spanish.
- Safeway Lucerne Butter Grade AA pasteurized.

Special issues

- Competition from margarine.
- The butter market is not concentrated. Land O'Lakes accounts for 30 percent of all butter sales. No other single firm has a market share of more than 5 percent, and private label sales account for 46 percent of all sales. Nonetheless, obtaining space in the dairy case may be difficult.
- Butter tends not to be an impulse purchase. Price is an important consideration for many consumers.
- Federal Milk Marketing Orders make price competition difficult. In order to be the low cost producer other costs will have to be minimized.

Key to success

- Consider the level of competition, and how competitors may react to you. Be sure that you are the low cost producer if you are going after the value market.

Sources

Mintel. Butter and Margarine.

_____. Global New Products Database.