

The War on Margarine

by Adam Young

This year marks the 116th anniversary of the Federal Margarine Act of 1886, part of an 80-year war on butter's toughest competitor.

The Act was the capstone of a movement to prevent consumers from enjoying the cheaper spread, which was introduced in 1874. The advocates of the Act, and of earlier state laws regulating the packaging and sale of margarine, argued they were preventing unscrupulous wholesalers and retailers from masking margarine as the more expensive dairy butter and duping unwitting consumers. The media and public generally assume that bureaucracy and regulation are benevolently aimed at making a safer world. But that wasn't the true motive at all.

Margarine, or oleomargarine as it was called in those days, was invented by a French chemist named Hippolyte Mège-Mouriès when he observed that even starved cows produced milk rich in butterfat, which originated in their body fats. He had the idea that pure oil resembling butterfat could be extracted from beef fat. This beef oil could then be combined with milk to form a cheap butter-like substitute.

Mège-Mouriès was given a French patent for his process in 1869 and a U.S. patent in 1873. His American patent was bought in 1874 by the U.S. Dairy Company, which

went on to introduce margarine to the United States. The company opened 15 factories over the next seven years, with five in New York state. It and its subsidiary, the Commercial Manufacturing Company, made both margarine oil and margarine butter and led the industry with nearly 10 percent of the market. By 1882 the firm produced 50,000 pounds of margarine butter a day and more than half the 20 million pounds annually produced in New York state alone.*

As margarine prices fell, consumers were won over, especially poor individuals and families who preferred it to the cheap low-grade dairy butter produced by small family farms. The larger high-grade producers were also threatened.

In 1882, at a meeting of the House Ways and Means Committee, the vice president of the New York State Dairy Association, Professor L. B. Arnold, testified that the availability of margarine had caused producers of creamery butters to increase their quality in order to maintain their comparative advantage. This in turn would harm small family-run producers of lower-grade butters as they were out-competed by the larger, better-capitalized, and efficient industrial producers of the higher-grade butters. Although the production of margarine was capital-

*Celia Bergoffen, "Margarine Wars," *Audacity: The Magazine of Business Experience*, Summer 1995, p. 55. Quotations and particulars are from this article (pp. 52-61). The National Association of Margarine Manufacturers' website at www.margarine.org/historyofmargarine.html was also helpful.

intensive and the profit margins, at least initially, were slim, margarine production boomed during this time—the late 1870s and early '80s—and meatpacking houses like Armour & Company in Chicago entered the market as a side business.

Also at this time American exports of agricultural and dairy products exploded in response to a series of bad harvests in Europe. (Thanks to international trade there were no famines as in the old days.) Among the products exported were low-grade dairy and margarine butters. As this low-quality butter was outflanked in the marketplace by margarine at home, the small producers sought foreign markets for their product. In the British House of Lords in 1881, the superintendent of the Manchester and Salford markets voiced a concern about the quality of this butter: “I seized thirteen tubs of butter at a wholesaler confectioner’s bakery. It . . . stunk fearfully and was of many colors. . . . Tons of this stuff is used by many of the wholesale confectioners in all the large towns. I believe it consists of the scrapings of butter from grocer’s shops, mixed with the inevitable dirt, and has as such become rancid, and altogether too bad to be used in the ordinary way.”

There is reason, of course, to question this report. Imports of butter from American producers increased from a million pounds in 1869 to over 38 million pounds by 1879, and the superintendent’s outcry could be interpreted as protectionist hysteria. One member of Parliament commented at the time, “It could not be believed that the importation of genuine butter had increased thirty-eight fold in that short period.”

Margarine Sold as Butter

Margarine exports were also increasing, reaching 16 million pounds annually in 1880. Most of this was in the form of oil, which was shipped to Holland and Britain for final production into margarine butter. The European producers usually sold margarine as ordinary butter, and some American butter producers followed suit.

The dairy lobby began to worry that the

British and other Europeans might ban American butter. The Dairy Association quickly blamed margarine for low-grade butter’s bad press and the British and Dutch importers for defrauding the consumer. To stave off action in its export markets, the dairy industry lobbied heavily for legislative controls on domestic margarine producers. The first interventions came when New York and Maryland enacted labeling laws in 1877. Within the next few years several more states acted. In Celia Bergoffen’s words, the laws required that “oleomargarine sold at wholesale or retail . . . be marked, stamped, and branded as such, under penalty of \$100, and imprisonment for thirty days.”

To this first volley in the “Butter War” a spokesman for the margarine producers calmly responded, “Of course, [the labeling laws] had for a time its effect upon the sale of the product; but as oleomargarine is a pure and wholesome article of food, possessing all the qualities of good dairy butter, the people have overlooked the name and have decided to eat it.”

Having failed, the dairy lobby rolled out a new front. In the era before refrigeration, butter and margarine were stored in and doled out from large barrels, the lids of which were interchangeable. Enforcement of the label laws was unknown. So the dairy industry lobbied for state inspectors, who as it happened would be from the dairy associations. Many states already had dairy associations ready to be pressed into the Butter War. And in 1882 a national association was formed to destroy by stealth the margarine market: the National Association for the Prevention of Adulteration of Butter.

In 1884 a committee of dairy farmers petitioned the New York state assembly to ban margarine. The law, the first in the nation, stated: “No person shall manufacture, out of any oleaginous substance or substances or any compound of the same other than that produced from unadulterated milk or of cream . . . any article designed to take the place of butter . . . or shall sell or offer for sale the same as an article of food.”

Throughout 1884 and 1885, following the

path blazed by New York, state after state banned margarine at the behest of local dairy associations. Maine, Michigan, Minnesota, Pennsylvania, Wisconsin, and Ohio all banned both the manufacture and the distribution of “artificial butter.”

But the New York law was struck down as unconstitutional within six weeks of its enactment. The Court of Appeals ruled that the claim margarine was unwholesome had not been proven and, anyway, the government could not shut down one industry just to protect another.

Out of Business

The damage had been done. By this time two-thirds of margarine manufacturers in the battleground states had been driven out of business. The greatest of them all, the Commercial Manufacturing Company, disappeared in 1885.

The dairy lobby had moved to bury the margarine industry forever by waging a slanderous disinformation campaign. Dairy industry association newspapers published lurid tales of margarine production designed to incite and horrify the public. Margarine was described as “the slag of the butcher-shop . . . a compound of diseased hogs and dead dogs.” Reports claimed margarine produced insanity and even “contained the germs of cancer.”

Not to be outdone, amateur scientists lent their dubious credibility to the debate. One Professor Piper published drawings of his alleged findings in a Chicago newspaper. These “startling drawings” revealed a host of contaminants: “The best samples had many kinds of living organisms in them, with masses of dead mould, bits of cellulose, various colored particles, shreds of hair, bristles, etc., while other samples teemed with life; doubtful portions of worms were also noticed . . . corpuscles from a cockroach, small bits of claws, corpuscles of sheep, the egg of a tape-worm . . . a dead hydraviridis.”

Although Piper and others like him were refuted by more rigorous testing, often by state boards of health themselves, the relent-

less campaign exacted its toll. It was around this time that the Commercial Manufacturing Company was driven under by the repeated blows of the state’s assaults and the disinformation campaign. An enemy remarked that the firm went under because of “new patents” for margarine that permitted it to be made from “material more fit for the soap boiler than for human consumption.”

Dairy propaganda political cartoons at the time featured elaborate “artists’ recreations” of margarine factories, showing how fantasy ingredients were made into margarine—stray cats, soap, paint, arsenic, old boots and hats, animal intestines, even sheep heads and wool. Hogs were called “Butterine Cows.” Animal fats were shown being dragged through filthy rundown factories and through the streets in reeking “fat-collection wagons.” And of course similar pro-dairy propaganda cartoons were published describing dairy butter in glowing terms like “pure” and “farm fresh” and including drawings of kind, fatherly grocers only too ready to serve the neighborhood.

After the constant legal and marketing barrage had driven the margarine industry to a shadow of its former glory, Uncle Sam weighed in. In 1886 the Federal Margarine Act slapped a special two-cent tax on margarine and required annual license fees. Margarine butter producers were now forced to pay \$600 a year; wholesalers, \$480; and retailers, \$48, simply to be allowed to sell margarine!

This had a devastating impact on what remained of the oppressed margarine industry. Within a year of the law’s passage, only one of New York City’s six margarine manufacturers existed. The New York state margarine industry went from producing 20 million pounds a year in 1882 to only 100,000 pounds. Soon margarine producers abandoned New York state altogether. Illinois, with its booming meatpacking business, became the center of American margarine manufacturing.

By then, most states had abolished their anti-margarine bans under appeals court pressure. The exception was Massachusetts,

which took its claim of authority to outlaw out-of-state products all the way to the U.S. Supreme Court. In 1894 the Court ruled that states could prohibit the importing of artificially colored margarine but not uncolored margarine! The supposed reasoning was that since uncolored margarine was easily distinguishable from normal dairy butter, consumers couldn't be defrauded. But the entire fraud complaint was simply a ploy to destroy the margarine industry.

Anti-Color Laws

State legislatures saw a loophole large enough to hang a man from, and by 1895, 19 states had adopted anti-color laws. Over the next five years 11 more states followed suit.

The dairy lobby once again assumed the consumer would come running back to butter. Dairy buttermen even used the additive annatto, a strong yellow coloring agent to give their butters a rich summer gold hue. They had learned of annatto from margarine producers and now moved to monopolize the process. Margarine producers complained, but to no avail.

Then some legislatures began to demand that margarine be dyed an entirely different color. Five states passed laws that margarine be dyed pink. Others wanted it dyed red or black. Imposing these absurd colors was an attempt to stigmatize margarine consumers by implying that they couldn't afford the more expensive dairy butter.

In the following decades the federal government kept up its attack on margarine—and by extension, on poor consumers—by twice amending the 1886 Act to tighten the screws on the industry. An amendment in 1902 targeted the production of artificially yellowed margarine. The amendment imposed a ten-cent tax on (butter-colored) margarine and slashed the tax on the uncolored variety. In response, producers began experimenting with various vegetable oils that would give their product the desirable yellow color but would escape the new tax.

By World War I, all-vegetable-oil margarines (made from peanut, corn seed, hazelnut, and other oils) dominated the margarine market. The industry's latest act of ingenuity was met in 1931 by a new amendment to the 1886 Act, which closed the loophole for naturally yellow margarine by taxing all yellow margarines. Production was stopped.

But the besieged margarine industry picked itself up and struck back. There was no law against adding yellow coloring to margarine at home. So the manufacturers provided yellow coloring packets with their margarine. With uncolored margarine safely under the tax radar, market share began to climb again, as Depression-era consumers warmed to margarine's value right through World War II—all the while wondering "why don't they just make the margarine yellow at the factory?"

By the late '40s producers had begun to process domestic oils—corn seed, soybean, and others—into margarine, winning the support of farmers groups and labor unions for the repeal of the state and federal regulations on margarine production and consumption.

Years of lobbying would be needed to dislodge these interventions, including marches and demonstrations by housewives carrying placards with slogans like, "We Want Yellow Margarine Tax Free!" and signature-collection drives on cards reading: "Dear Mr. Congressman, Who comes first . . . the consumer or the butter lobby? Please remove the unfair restrictions on margarine."

Finally, in 1949 and 1950 Congress narrowly voted to repeal the tax on colored margarine and President Truman signed the new Margarine Act into law. By 1955 every state but Minnesota and Wisconsin had repealed its anti-margarine color laws, with Minnesota holding out until 1963 and Wisconsin—"the Dairy State"—not relenting until 1967.

And so ended the dairy industry's 80-year war on margarine and America's consumers, especially the poorest among them. □

Say It Isn't So, Jerry Lewis

by *P. Gardner Goldsmith*

It was a disappointing day for me, that day last year when comedian Jerry Lewis testified before a Senate subcommittee seeking taxpayer funding for muscular dystrophy research. It drove home how in the past 70 years the virtue of charity has been corrupted from a matter of individual choice and initiative to one of group ethics and majority control.

During his 1998 telethon, Muscular Dystrophy Association (MDA) chairman Jerry Lewis proudly announced that the MDA did not take a dime of government money. Everything his organization received came from the kindness and charity of individual people. MDA could rightly be characterized a “charitable” organization.

But that changed on September 24, 2001, when the U.S. House of Representatives passed H.R. 717, the “MD-Care Act,” which expanded the existing purview of the National Institutes of Health’s (NIH) research budget to cover the nine forms of muscular dystrophy. In pushing for the bill, MDA advocates asked for an additional \$100 million to be added to the NIH budget, all targeted toward MD research. The House version moved smoothly through the Senate, and on December 18, 2001, President Bush signed the resulting increase into law.

While some Americans might hear this news and believe “the nation is finally doing something, recognizing how important it is to cure MD,” others will be disappointed, indeed, frustrated, that once more the definition of charity has been twisted out of shape.

Charity is based on volition. Without choice, one cannot act on one’s own moral prerogatives. Government decrees represent the opposite of choice. With government funding we are supposed to believe that “America cares,” when, in fact, nearly half of Americans might not care or they might have other priorities. Given the political nature of the House and Senate, and that less than half of Americans vote, the idea that a bill passed by both houses to fund a particular charity somehow represents the “collective will of the people” is fanciful.

But during the twentieth century, Americans have come to view the collective will—as expressed through the political gamesmanship of Washington politics—as representative of society’s values. This could not be further from the truth. Society, as most Enlightenment thinkers correctly recognized, is something apart from government. It is the realm in which we interact consensually. One cannot have a fully flourishing society when the burdensome mechanism of government supersedes individual choice, and one certainly cannot claim that a society “cares” based on the priorities of illegitimate wealth redistributors.

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