

# What Will Define The Olive Oil Industry

(Olive Oil Megatrends)



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The olive oil industry is concentrated in and has been controlled for centuries by the Mediterranean nations. Spain, Italy and Greece are the key market players.

However, the olive oil industry is undergoing important changes which will be more visible in the forthcoming years. Until today, business was affected by a range of factors that were related to political decisions, national plans, global trade regulations, bilateral agreements, the vegetable oil industry, technology, financial conditions, the subsidies system, marketing efforts and many more.

Slowly but steadily new variables are starting to complete the industry list and this will be much clearer to the professional very soon. More specifically:

- The growing volatility of all markets.
- Spain and Italy are expanding the olive cultivation in Europe applying new cultivation systems, developing new varieties, lowering the production and labor costs and using new technology. Both countries have already started to invest in science and deeper knowledge of the olive oil.
- Greece, despite the severe financial difficulties, is trying to take advantage of the superior quality of its oil, as the country's extra virgin olive oil is reaching more than 85% of annual production, which gives the nation a strong competitive advantage yet to be exploited by the industry members and the state.
- The proportion of extra virgin olive oil produced will continue to increase at the expense of refined olive oil. This will increase competition for retail shelf space of branded products and will tend to put downward pressure on extra virgin olive prices.
- New Market players are entering the industry such as the USA, Australia and China. Many other countries from the Middle East and Africa such as Tunisia, Syria, Jordan, Iran, and Morocco are trying to organize their olive oil industry and promote their national production. Some of the new players such as Australia and the USA are investing more in research, technology and science to produce the highest quality in order to be able to compete with the traditional olive oil countries.
- The significant changes in the global economy will create new target markets and will reshape the global consumption map regarding the different categories of EVOO especially the premium variety.
- The extent of use of many premium sub-products which are based on pure olive oil will redefine the importance of olive oil.

- The climatic conditions and global warming will lead to significant changes in olive growing and cultivated varieties.
- The changing policies in the countries of production and the effects of global trade policies.
- The global development of a healthy eating culture and the scientific research which shows the benefits of olive oil in many aspects of health.
- The adulteration of extra virgin olive oil and the need for strict regulations to protect the industry and consumers from impure olive oils.
- The balance in the relationship between producers and the trade system in order to help consumers taste the really pure extra virgin olive oil.
- The Training & Education of consumers globally about the benefits of pure olive oil.
- The business strategies and their impact on the value chain. The collaborations between industry members on a national or international level to support and promote olive oil as a natural healthy food.
- The power and influence of the ecological and health support institutions.
- The Phenolic Extra Virgin Olive Oils with high rates of Oleocanthal & Oleacein that will create the base for a new olive oil category focus on the Health Claim of human health protection.
- The investment capability in cultivation systems, technology, research and development, logistics and distribution systems and marketing.
- The coinciding changes in the policies of the European Union area and the general production worldwide.
- The greater strategic worth of vertical coordination mechanisms.
- The impact of the economic crisis on food system trends.
- The increase in consumption of lower-value oils. Competition from vegetable oils. An analysis by the North American Olive Oil Association (NAOOA) presented to the Savantes program in New York in September 2012 showed that, despite the low price and abundant supply of olive oil in the previous year in the USA and a decline of 20.8% in vegetable oils including corn, canola and peanut oils, olive oil sales increased by 5.1% while other oils increased by 31.8%. This inability to take advantage of a shortage of competing vegetable oils should be a warning to the olive oil industry that there needs to be a concerted effort to retain and increase its market share.
- The role of agricultural cooperatives. At times agricultural cooperatives have been very successful in achieving several goals not only for their members but for their wider communities. In some circumstances cooperatives have failed miserably either as a result of mismanagement, poor public policy and regulation

and/or external forces. As a general rule, public policies and particularly EU support measures have been instrumental in facilitating such cooperatives' survival, expansion and growth.

- The development of an integrated management model to support the cultivation of the olive and globally promote the benefits of using pure extra virgin olive oil.
- The development of an efficient logistics and trade system that will allow easy flow of market products.
- The large scale of business alliances.
- The new opportunities in the emerging markets.

Each country will try to build its own Business Model, Industry Strategy, and follow its own Marketing Plan, creating its own alliances in order to gain the desirable market share.

The interaction and the correlation between the factors presented above will shape the situation in the global oil industry in the following years.

“Olive oil represents only 2.2% of the total vegetable oils consumed in the world. Olive oil is possibly the single product most closely associated with the Mediterranean basin. In terms of world production of olive oil this was approximately 3.02 million metric tons. Eight Mediterranean countries accounted for almost 98% of this production.

Spain, with a production of 1.60 million metric tons, is the world's top producer, accounting for approximately 45% of the market share. Italy ranked number two in the world with a production of around 0.460 million tons accounting for 25% and Greece followed as number three with a production of 0.320 million tons of olive oil accounting for 20% of the market share. Greece is also the largest producer of Extra Virgin Olive Oil as the country's olive oil is 85% Extra Virgin of the finest quality.

The European Union (EU) as a whole accounted for 74% of the total world production of olive oil. MENA countries (Middle East and North Africa) accounted for almost 24% of the world's olive oil production. Other countries, such as the USA, Chile, Argentina, New Zealand and Australia, which have developed domestic olive oil industries more recently account for the remaining 2% of global olive oil production.”



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