Olive Oil world Market Dynamics and Policy Reforms: Implications for Tunisia

Boubaker KARRAY

Olive Tree Institute BP 1087, 3018 Sfax Tunisia,
Tel: 216 74 241033.
bkarray@yahoo.fr

Abstract

Available information revealed that the future of Tunisian olive oil competitiveness on principal export markets will be determined by a set of external and internal factors. The external factors concern the dynamics of the world market (supply, demand and exchanges) and the new arrangements concerning markets liberalization (Common Market Organization of the olive oil and olives of table, WTO negotiations and bilateral and regional agreements). The internal factors related to the production and export system in Tunisia. Based on this premise, the goal of this communication is to provide an overall evaluation of these factors pointing out the main strengths, weaknesses, opportunities and threats (SWOT) that can be associated to there present and future evolution. Research uses the SWOT method that has the advantage of being relatively simple and constitutes a framework of strategic diagnosis and reflection. The information used has been collected through a bibliographic synthesis of studies already achieved and of preliminary results of the first round of investigation close to 23 experts who occupy different posts in the olive oil sector.

Keywords: Market, policy, competitiveness, olive oil, Tunisia, SWOT analysis

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1. Introduction

The prospective, modern form of anticipation (1) has been attached great importance these last years. This participative systematic process of collective-intelligence construction for the future and for short, medium or long-term visions conceptions has for objective to illuminate decisions about the present, and to mobilize the necessary means for the engagement in common actions (2). This objective perfectly applies to the case of olive oil that constitutes a strategic export product in Tunisia. The dynamics of the world market of olive oil, marked by the new consumers' and producers' emergence and by the modification of the demand structure in favor of the virgin oils, the new arrangements concerning markets liberalization (Common Market Organization of olive oil and table olives, WTO negotiations and bilateral and regional agreements), placed producing and exporting countries in an uncertain competitive economic context where the hold of conscience of future stakes and the engagement of adapted policy reforms have become imperative.

In Tunisia, olive oil plays an important economic, social and environmental role (3). The commercial policies engaged since 1962, gave a marked priority to olive oil exportation and seed oils importation, while subsidizing the consumption price of this latter. Two main goals are sought through these policies: on the one hand, to increase currency incomes and, on the other hand, to preserve the purchasing power of the most impoverished social layers (4). So, the produced olive oil is destined mainly to the export. Between 1991 and 2005, Tunisia produced 159 thousand tons of olive oil of which 114 thousand tons have been exported. Since the liberalization of olive oil collection and merchandising in 1994, this operation is assured by the National Office of Oil (NOO) and 93 private exporters. The remainder of the production is sold on the home market. The average consumption of the Tunisian household is about 8,2 kg of olive oil and 15,9 Kg of seeds oil per year with obvious dissimilarities between regions (5).

During the period 2001-05, the role of olive oil in the Tunisian economy and its position on export markets have regressed. On the national level, this product contributes for 34.9% to foods export value, and for 2.7% to the total export value. On the international level, Tunisia contributes for 4.41% to the world production and for 7.76% to the world exports. The Tunisian market share reached 8.8% on the European market which has been for several years the main destination of the Tunisian olive oil. To this market, Tunisia still represents the first third country supplier even though its position regressed compared to the years 1991-1995 during which market share was 17.2%. The European olive oil imports coming from this country represent 10% of the total imports and 60% of imports coming from the Third countries (6). These imports are governed by regulatory measures fixing the tariffs in normal and in preferential regimes, and the standards of quality and merchandising within the framework of the olive oil and table olives Common Market Organization (7 and 8). These regulatory measures are continually modified. They grant to the Third countries some tariff preferences on a quantity fixed by the commission (quota) and a total exoneration in inward-processing arrangements. They limit, however, the imports coming from these countries in normal regime that supports elevated tariffs.

On the other export markets, notably USA, Canada, Japan and Australia, the market share of the Tunisian olive oil has slightly increased. But it always remains weak because of the strong competition of the Italian and, to a least degree, of the Spanish and the Greek exporters who dominate these markets.

Wile referring to the 70s, 80s and 90s, we have noted that Tunisian olive oil performances were globally superior (3). This worrying situation leads us to question the future of Tunisian olive oil performances, particularly its competitiveness on principal export markets.

The available information reveals that Tunisian olive oil performances are dependent on a set of external and internal factors (3, 9). The external factors concern the dynamics of the world market (supply, demand and exchanges), and the new arrangements concerning markets liberalization (Common Market Organization of the olive oil and table olives, WTO negotiations and bilateral and regional agreements). The internal factors are related to the production and export system in Tunisia.

Based on this premise, the goal of this communication is to provide an overall evaluation of these factors pointing out the main opportunities, threats, strengths and weaknesses (SWOT) that can be associated to their present and future evolution. Research uses the SWOT method that has the advantage of being relatively simple. It consists in determining whether combination of strengths and weaknesses of the production and export system in Tunisia can meet with the evolution of the environment (deduced strategy) or whether it would be possible to identify or to create potential opportunities that would permit to benefit more from unique sources or the distinct competences in this system (constructed strategy) (10).

The following of this communication specifies the methodology used, and presents the preliminary results of the first round of investigations achieved close to experts involved in the identification of the four components of the SWOT. In this work we are limiting ourselves to presenting the full list of these components without presenting the classification proposed by the experts. This task necessitates a second round of investigation in order to arrive to consent

2. Methodology

This research employs the SWOT method (Strengths, Weaknesses, Opportunities and Threats) that constitutes a framework of strategic diagnosis and reflection (11). This method has been set up by E. P. Learned, C. R. Cristensens, K.R Andrew and W.DS. Guth (LCAG) in the sixties, in Harvard School (12). It constituted the bases of the classical approach philosophy to the enterprise strategy centered on the adaptation of the enterprise to the environment. For this first stream that developed the strategic adaptation, the conception of a strategy consists in finding the best possible reconciliation between strengths and internal weakness and threats and external opportunities (13).

This approach, relatively simple, has been enriched by H.I. Ansoff of the Carnegie School who has proposed a similar inspiration model, but with a more elaborate architecture (12). Later, it witnessed three major stages of development. The first introduced the notion of change to palliate the static character of the SWOT and to simulate reflection about the future. The second capitalized on the segmentation in the survey of strengths, weakness, opportunities and threats. The third developed the idea to assess the four components of the SWOT in relation to competitors.

The SWOT method dominated the strategic process in the 70s (13), yet it is actuality present and constitutes a universal device helpful in decision making. It has the advantage of being relatively simple and very common because it is easy to use. When it is correctly used, it can provide a strong basis for the formulation of an adequate strategy (14). It permits to collect, to organize, to evaluate and to synthesize objectively a large number of information concerning any organization (internal diagnosis) and its environment (external diagnosis) in order to identify the main strengths, weaknesses, opportunities and threats and to assure the reconciliation between the strategic capacity of this organization and the key factors of success of its environment (10). The four components of the SWOT are classified (15) and synthesized in a matrix permitting the identification of four strategic alternatives (16):

- The offensive strategies (setting of the excellence) that exploit the strengths of the organization to benefit from opportunities, available in environment,
- The defensive strategies (factors of insurance) that use the strengths of the organization to avoid threats of the environment,
- Strategies of backing (domains that make improvement difficult) that endeavor to improve weaknesses of the organization to benefit from opportunities, available in environment,
- Strategies of repositioning and diversification (the critical aspects) that consists in minimizing weaknesses of the organization to make it less vulnerable to identified threats.

The application of the SWOT can meet certain difficulties that should be identified and avoided. The SWOT analysis doesn't produce a strategy but brings about ideas germane to the conception of this strategy. The assessment of the four components of the SWOT may be subjective. One factor may be at a time an opportunity and a threat depending on the perspective of analysis, and according to the capacity of the sector to capitalize on its strengths or to compensate for its weaknesses. By the same token, the momentousness of strengths and weaknesses varies according to the envisaged strategy and to the approached evolution of environment. The different components of the SWOT analysis, far from being autonomous, are most often interdependent. The classification of strengths, weaknesses, opportunities and threats must be made with special care. It should allow for the concentration on real determinant factors.

Considering these difficulties, the construction of the SWOT analysis as regards Tunisian olive which is the object of this research, involved a panel of 23 experts chosen in accordance with the requirements and principles of the DELPHI method (17, 18). The implication of these experts has the advantage of guaranteeing certain objectivity at the level of results. The adopted approach includes six stages:

2.1 Definition of the problem and the research objective.

2.2 Experts selection.

23 experts have been chosen. They occupy different posts in the olive oil sector (table 1). They have a good policy, legal and administrative knowledge about the problem of this sector, and a proper legitimacy to represent the opinion of the acting group to which they belong.

Table 1: Composition of the expert's panel of the Delphi investigation (1st round)

Field of activity	Number of consulted experts	Number of returned questionnaires for the 1st round	%
Transformation	1	1	100
Administration (Technical service)	7	6	85.71
Research	4	3	75
Export	3	2	66.67
Transformation + Export	5	3	60
Production + Transformation + Export	2	2	100
Certification body	1	1	100
Total	**23**	**18**	78.26

2.3 Inventory of strengths, weaknesses, opportunities and threats of olive oil sector.

The synthesis of results of a set of studies carried out since the beginning of the 80s (19, 20, 21, 22) and of relatively recent studies (3, 9, 23), has allowed us to set a preliminary list of the four components of the SWOT.

2.4 Conception of the questionnaire and realization of investigations.

The identified strengths, weaknesses, opportunities and threats have been proposed to the chosen experts in the form of open questions with view of adding to them and classifying them in terms of importance. Most of the questions have been enclosed with a slot allowing the expert to formulate commentaries and justifications. Note that the investigation has been launched after a test of the questionnaire on three people who didn't make part of the chosen expert panel. Considering the formulated suggestions, the questionnaire of the investigation knew some modifications in form and content.

2.5 Answers receiving and analysis of results.

In total, 18 experts (78% of the panel) filled in the questionnaire. Some experts, very busy, took time to answer. Others have been culled up to discuss and clarify there proposes answers. The unbroken contact with these experts had a positive effect on the number of participants, and on the quality of formulated answers. The five experts, who didn't participate, didn't specify the reasons. They were continually contacted but they were not convinced to participate. Some experts have just classified the proposed strengths, weaknesses, opportunities and threats. Others have added others. Most suggestions, formulated by these experts, have been taken in to consideration. The statistical processing of the collected answers has been achieved through the calculation of the average, standard gap and coefficient of variation calculation.

2.6 Determining the final list of the main strengths, weaknesses, opportunities and threats, and developing a SWOT matrix synthesizing the different strategic orientations for the future development of Tunisian olive oil to short, medium and long term.

This stage is on the way of realization through a second round of investigation close to experts who participated in the first round. This second round will allow these experts to review their judgments about the first round. They are informed about the collective judgment. The expert can maintain his first judgment even though it is different judgment from the group. In this case, he is called to justify it. A Likert scale, with five levels, has been chosen to measure the degree of agreement between experts. After receiving and analyzing the second round results, we intend to organize a meeting of synthesis that groups all experts together.

3. Results

In this communication, we present the results of the first round. The answers formulated by the 18 experts have identified 11 strengths and 15 weaknesses relating to the olive oil production and export system in Tunisia, 6 opportunities and 4 threats relating to the dynamics of the world market and the policy reforms.

3.1 Strengths

- Strategic geographical position of Tunisia (Closeness to Europe which is the first olive oil consumption market). This position facilitates the commercial exchanges between Tunisia and the European Union.

- Diversity of olive tree inheritance in Tunisia (beneficial richness to exploit). This diversity offers potential to improve plantation productivity and olive oil quality. Olive oil plantations contain a rich selection of varieties each marking edaphic and climatic features that characterize its implantation zone (24, 25). Among these varieties, we mention chemlali, chetoui, ouslati, gerboui, zalmati, zarazi, barouni and chamchali Gafsa mainly.

- The labor force and the mechanical traction are relatively cheaper as compared to European competitor's countries. For the pruning of olive trees, the daily salary varies between 8 DTS (unqualified prune-maker and ordinary agriculture labor force) and 15 DTS (qualified prune-maker). It can reach 20 DTS in certain regions (26). For the picking, payment is either per diem, 10 to 12 DTS a couple (Man - Woman), or by Kafis (450 Kg of olives) whose price varies between 27 and 37 DTS according to pickers, delegations and the production size. In other cases, payment is by a proportion of the product. This proportion is equal to 25% in case of a sizable product, 30 to 35% in case of a modest product, and 40 to 50% in case of a scanty product. For the soil work, charges are calculated on the basis of the renting cost (10 and 12 DT/H) for farmers without tractors, and on the basis of fuel and lubricant consumptions and of amortization and maintenance expenses for farmers using tractors.

- Huge possibilities to promote the organic olive oil and of quality signs (AB, AOP, IGP, STG, and mountain signs). The State's will expressed since 1995 to promote the organic agriculture and food products in Tunisia permitted the emergence of organic olives covering currently 76123 thousand hectares certified. For the other signs of quality, notably the Protected Geographical Indication, handbook and the regulatory clauses are being in preparation.

- Possibility to promote the irrigated oil olive trees with high density (extra-intensive production). The improvement of oil olive sale prices during the last years reinforced the profitability of this cultivation, and encouraged some promoters to integrate it in the irrigated culture system, notably in the North and the Middle of Tunisia. Densities of plantations are definitely superior to densities in rainy cultures. They vary between 270 and 1250 trees by hectare.

- Safeguard control of olive trees inheritance against its devastating pests, within the organization of national treatment season, in collaboration between the National Office of Oil (NOO), the General Management of the Agricultural Production and the Olive tree institute.

- History of Tunisia in olive oil production (tradition). The oil olive tree constitutes in most arid and semi-arid regions the main component of culture systems that are developed there. In these regions, the social attachment of farmers to olive trees has its origins in the longevity of this culture that has marked the history of the farming populations, having been the main agricultural activity (monoculture) for several generations. The know-how of farmers is based on inherited traditions of management.

- Long experience of the NOO concerning export (qualification of the personnel, laboratory of analysis accredited, infrastructure, means of transport and capacity of storage, relations with farmers and olive oil industry, relations with the national and international customers, data base relative to the different export markets, and relations with the national and international organisms, namely, the IOOC).

- Emergence of new private operators in the collection and the merchandising of olive oil (93 private exporters). Some of them are only industrialists; others are both industrialists and exporters of olive oil who have undertaken actions to improve the quality and conditioning of the produced oils. This new orientation is efficiently sustained in the setting of a national program of total quality supervised by the

Industrial Promotion Office and a program promoting exportation of conditioned olive oil. Quantities of conditioned olive oil actually exported represent only 1% of the total exports (9). The packaging used consists in glass bottles and metallic cans, generally imported. The capacity indicated in liter or in Kg is 0, 25; 0, 50; 0, 75 and 1 liter for bottles and 1 to 5 liters for cans. The main marks which are exported or sold on the home market are Sfax oil, Châal, Zouita, Ruspina, Rivier of gold, Zarsis, Najla, Amilcar, Huilmed, Imex, Taparora, Soleil du sud, Alysa, and the Colombe (3).

Moreover, private exporters have slightly diversified destinations of the Tunisian olive oil that has joined the emergent markets as USA, Canada, Japan, Russia, Australia, Brazil, Argentina, Saudi Arabia, etc. Even though quantities exported to these markets are small, this orientation needs to be sustained.

- Diversity of the institutional structure and importance of aid mechanisms to and supervision of the operators in the sector. In addition to actors of production, transformation, collection, merchandising, and consumption, olive oil sector includes a wide range of institutions representing the State and the professional organization. Though the private parties have been willing to get involved since 1987, the State continues to intervene at the level of the different segments of this sector, through its institutions pertaining to different ministries and assuming various functions. These institutions concern studies and researches, the scheduling, the supervision, the training, the vulgarization, the financing, the encouragement, the promotion, the coordination and the regulation.

- Importance of the tourism sector in Tunisia. The hotel infrastructures offer the possibility to promote the olive oil export. About 6 millions of tourists with different nationalities visit Tunisia annually. The integration of olive oil in the tourism sector can have a considerable effect on the direct sales in short-term, and on its export in long-term (reinforcing its position on the traditional markets, and positioning it on new markets).

3.1.2 Weaknesses

- Concentration of about 70% of oil olive trees in the Middle and South of Tunisia where the climatic and edaphic conditions are generally restraining (drought and marginal lands) and limit considerably the possibilities to improve the plantation productivity. These regions contribute for 81% to the national oil olive product. Whereas in the North, where the climatic conditions are distinctly favorable, the oil olive tree is marginalized.

- Very small proportion of the irrigated oil olive tree area (40 thousand ha on 1685 thousand ha). The irrigated oil olive tree doesn't constitute a tradition in Tunisia.

- Alternation of the production and limited plantation productivity due to the drought, and to the lack of the maintenance, developing and restructuring of plantations, notably, the old one. In spite of its adaptability to most difficult edaphic and climatic conditions, the olive tree is a genetically alternating crop. This phenomenon is further aggravated in the arid and semi-arid regions due to the lack and unevenness of rains (torrential rains or successful dry years), and the bad quality of soils reserved to this crop, in marginal zones lacking potentials or containing some damaged and un-conserved lands. The fluctuations of the olive product affect the productivity, the production cost, the income and accounts balance, and result in an inability to reiterate this activity.

- Absence of stock reserves in olive oil and mechanisms of encouraging and financing the private storage guaranteeing a minimum level of availabilities in oil that cover the quantitative and qualitative engagements within the time limit specified by the European market, notably at the time of thin product. For the seasons 2001-02 and 2002-03, the low level of the product affected exports that didn't cover the quota.

- Weak efforts for quality preservation and product valorization (conditioning, geographical indication, appellation of origin etc…) in spite of the engagement in a total quality program. The desire expressed by a majority of industrialists to immediately make profitable the achieved investments incites them to exploit to a maximum the material of transformation while granting more importance to quantities of triturated olives than to the quality of the produced oil. Instructions of transport and storage of olives (using plastic boxes), maintenance of the material of transformation and storage of olives and olive oil are not generally respected. Such a behavior limits possibilities of improving the proportion of the high quality oils in the total production and generates a considerable loss of profit.

- The evolving of speculation spirit for different operators of the sector, what favors short- term strategies and the quest for immediate profit.

- Weak effort of markets prospecting, survey and selection together with manifest lack of marketing strategies for export and home markets in spite of aid and encouragement efforts made by the State through the two projects of Foreign Markets Access Fund (FMAF 1 and 2).

- Difficulties of access to funds which are not generally available, notably in the case of olive producers.

- Problems of unavailability, low reliability and lack of creation and circulation of information to all levels of the olive oil sector.

- Absence of horizontal and vertical integration between the operators, which doesn't facilitate the engagement in a total quality program and limit the possibilities to reduce olive oil production cost.

- Domination of the olive oil market in bulk. About 99% of Tunisian olive oil exports are assured in a bulk.

- Raising of the olive oil production cost. These last years, the increase of olive oil prices on the one hand, and the boosting of prices of certain production factors due to the increase of the petroleum price on the other hand, generated the raising of the olive oil production cost.

- Concentration of the Tunisian olive oil exports in the European Union. About 87% of Tunisian olive oil exports are directed to European market, namely, Italy and Spain.

- Absence of long-term development strategy for the sector.

- Difficulty to make use of research and training acquirements in the sector, which affects the level of operators qualification, and the effort to break new ground in this sector.

3.1.3 Opportunities

- Growth of the European olive oil import demand with a change of the demand structure in favor of extra virgin olive oil.

  The European olive oil imports (intra and extra communal) have reached 847.6 thousand tons on average, during the period 2001-05, while they were only 472 thousand tons between 1991 and 1995. The imports coming from the third countries have reached 139.8 thousand tons during the period 2001-05, while they were 128 thousand tons between 1991 and 1995, and these correspond respectively to 27% and 16.5% of the total imports.

  The analysis of the structure of European importation in olive oil coming from third courtiers has shown that these imports are always dominated by lampante olive oil, but the proportion of this oil has decreased. It has reached 41.9% of total imports during the period 2001-05, while they were 60.56% between 1991 and 1995. The proportion of extra virgin olive oil has increased. It has reached 37.9% of total imports during the period 2001-05, while they were 26.6% between 1991 and 1995.

  Tunisia has not benefited from this slight increase in the European olive oil imports. The imports coming from Tunisia have gone down to reach 83.3 thousand tons during the period 2001-05, while they were 117 thousand tons between 1991 and 1995. This decrease has resulted in the regression of the Tunisian position on the European market. The European olive oil imports coming from Tunisia have represented 10% of the total imports and 60% of the imports coming from the third countries during the period 2001-05. This contribution was respectively about 25% and 91% during the period 1991-95. The Tunisian market share is only 8.8%. Between 1991 and 1995, this market share was 17.2%.

- Growth in the olive oil import demand of the emergent markets with a change of the demand structure in favor of virgin olive oil.

  The import demand of emergent market as USA, Canada, Japan and Australia, that represent the main Italian and Spanish oil destinations, has increased considerably since the beginning of the 90s (table 2). These imports serve to satisfy consumption needs which have not stopped increasing.

Table 2: Evolution of olive oil import in USA, Canada, Japan and Australia

Unit: ton

	USA	Australia	Canada	Japan
1991-95	112326	15519,8	12117,2	5980,8
1996-00	173624,6	22606,8	20322,8	29379,2
2001-05	216165,75	29202,25	25011	30984

Sources FAOSTAT may 2006 + IOOC

For the USA, imports have reached 219.5 thousand tons during the period 2001-05, while they were only 112.3 thousand tons between 1991 and 1995. Tunisia benefited a little from this increase. Its market share has reached 2.6% on average between 2001 and 2005, while it was 1.8% during the period 1991-95. This market is dominated by the Italian and the Spanish exporters who occupy 68.5% and 17.4% respectively.

USA demand has made a radical change favoring the proportion of virgin olive oils which represented 66.3% of the total imports in 2005, while its was only 44% in 1996 and 33% in 1990.

- European olive oil imports in inward-processing arrangements. This regime allows the European industrialists to import the olive oil from the third countries, free from customs duty, but under the condition to export out-side the European Union the equivalent oil quantity (27). In practice, the European industrialists have recourse to this regime when the supply doesn't cover the demand. These imports permit to satisfy the demands of the export markets and to improve price competitiveness of European export in USA, Canada, Japan and Australia.

  During the period 1992-00, 65% of the European olive oil imports coming from the third countries were made in inward-processing arrangements. They were done mainly by Italy and Spain that concentrated about 97% of these imports. Portugal represented only 3%. For these three countries, imports inward-processing arrangements represented 62%, 80% and 100% of the total imports respectively (27). 70% of these imports were originally from Tunisia that represents the first supplier. Turkey is the second supplier with 21%, and Morocco is the third with 7%. It is worth to note that the average price of import inward-processing arrangements is inferior to the average price in normal regime (27).

  This regime offered and offers again to Tunisia export opportunities to the European market. But the modification brought to the MCO in 2004 stipulates, at the level of the article 13 of the regulation 865/2004, that as a necessary measure for the proper functioning of the common organization of the markets in olive oil and table olives, it could be decided in accordance with the procedure identified by the article 18, to exclude totally or partially the recourse to the inward-processing arrangements (28). This decision may constitute a serious threat to the future of the Tunisian exports in the European market, especially as the Tunisian exports are in large proportion made in this regime.

- Preferences tariffs granted to Tunisia. The preferential regime is established under agreements of cooperation and association between the UE and the third countries. Arrangements of this regime differ according to the benefiting countries. For Tunisia, the first agreement of cooperation of 1969, granted to unrefined olive oil a commercial preference of 5 Euros/tons, and a supplementary reduction of 50 Euros/tons as economic benefit.

  The agreement of cooperation of 1976 retained the commercial preference of 5 Euros/tons but modified the amount and the principle of the supplementary reduction of MFN tariff. The deduction applicable to the import of olive oil, other than the one having undergone a process of refinement originally in Tunisia, is calculated in accordance with the article 13 of the basis regulation, reducing 5 Euros/tons and an additional amount equal to the special tax on the exportation of this oil set by Tunisia within the limit of 100 Euros/tons, and is raised by a variable amount fixed by the commission. From 1979, the European commission fixed the commercial preference to 6 Euros/tons and the additional amount to 120.9

Euros/tons. The hiking of this amount remained variable. In 1986, the application of this deduction system has been limited to a quota. The preferential tariffs and the quantity to which it applies have always been reviewed by the commission according to terms of the European market.

In 1987, the draft treaty of 1976 has been finalized in order to adapt its content to the situation of the European Union market after the joining of Greece, Spain and Portugal. Until the end 1990, Tunisia could export toward the UE 46 thousand tons of unprocessed olive oil under the codes NC 1509 10 10 (virgin lamp olive oil) and 1509 10 90 (virgin olive oil and its fractions), from the first of March of every season. This quota is submitted to particular deduction equal to the difference between the price ceiling and the price in the frontier. This price is fixed by the community while taking in to account the price guaranteed by Tunisia to its producers, and the expenses of oil transported to the CAF instead of passing through the community. This regime, that had to arrive to come to a close by the end of 1990, has been extended to the end 1994.

The association agreement made in 1995, maintained the quota of export towards the UE which assures 46 thousand tons of unrefined olive oil, and which has the benefit of a preferential deduction of 78,1 Euros/tons. This agreement, which normally comes to an end in 1999, has been extended to the 31st of December, 2000, date to which the new negotiations raised the quota to 50 thousand tons, and cancelled deduction. Since the 1sr of January, 2002, the quota has been increasing every year, of 1500 tons, during a period of 4 years, and has reached an annual quantity of 56 thousand tons, since the first January, 2005. The last modification of the monthly distribution of this quota fixed the authorized quantity to 1000 tons for January and February, 4000 tons for March, 8000 tons for April and 10000 tons for May to October months.

In 2005, the regulation (EEC) n°1721 modify the regulation 312/2001, carrying modes of application for the olive oil import coming from Tunisia, and departing from certain arrangements of the regulations 1476/95 and 1291/2000, has increased the quotas, granted to Tunisia, of 700 tons from May 1st, 2004 and 467 tons in 2005 (29). This increase is a consequence of the joining of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia to the European Union.

- Boosting the image of Tunisia as a country producer and exporter of olive oil in the traditional markets, notably, the European market.
- Difficulty of supplying European packaging operators due to the cartel position of the Spanish production cooperatives.

3.1.4 Threats

- Importance of the MFN tariffs applied to the European olive oil imports coming from third countries in normal regime. This MFN tariffs are fixed by items 13 and 14 of the basis regulation n° 136/66/CEE. This regime witnessed a deep modification within the frame work of the agricultural agreements of Uruguay round. The variable tariffs have been replaced by the equivalent tariffs subjected to discount of 20%. These equivalent tariffs correspond to the difference between the price of entrance through the frontier and the medium world prices for the period 1986-88. This difference has been assessed to 1556 Euros/tons for the virgin non-lampante olive oil, to 1532 Euros/tons for virgin lampante olive oil, and to 1682 Euros/tons for the refined olive oil during the year 1995. The tariffs, coming into force at present, amount to 1245, 1226 and 1346 Euros/ton respectively (table 3). Note, however, that the clause specifying expected safeguard, regarding this matter, authorizes taxation of an additional deduction in case to the alert price (30).

Table 3: Equivalent Tariff and Alert Price for Olive Oil

Unit : Euros/ton

Olive oil	Equivalent Tariff 1995	Equivalent Tariff 2000	Alert Price
Virgin lampante	1532	1226	1361
Virgin un- lampante	1556	1245	1682
Refined	1682	1346	1101

Source: European commission

The modification brought to the CMO, in 2004, stipulates, in the article 11 of the regulation 865/2004, that if the market price of olive oil in the community exceeds of 1.6 times the prices listed in the item 6 (table 4), during a period of at least three months, it may be decided, in order to assure an appropriate supply in olive oil for the common market through imports from non-member countries, in accordance with the procedure aimed at by the item 18 of the same regulation (28):

- To suspend totally or partially the application of MFN tariffs to olive oil, and to establish the detailed arrangements for any such suspension.

- To open up a quota of olive oil importation, to which apply common reduced MFN tariffs, and to define modes of management of this quota.

Table 4: Intervention Price for the Storage and the Olive Oil Importation

Olive oil	Storage price (Euros/ton) (article 6)	Common market price (Euros/ton)
Extra virgin	1779	2846,4
Virgin	1710	2736
Lampante	1524	2438,4

Source: EC Regulation n°865/2004

The application of these measures appears difficult to us. The European operators have the possibility to act on the price of olive oil, and to avoid the excess to the level fixed by the item 11, within a period of at least 3 months. But in case where these measures are put into action, they could encourage exports of third countries to the European market. It offers new opportunities of export to Tunisia, but negatively affects the preferential advantages that are granted to it, and reinforces the competition of the other third-supplier's countries. Tunisia is then invited to reinforce its price and structural competitiveness with regard to potential competitors in order to save its interests.

- Production aids granted to producers of the member countries of the European Union. The regulation EC n° 1638/98 of July 20, 1998 adopted for the transitional period 1998 – 2001, upheld immediate aid to the common productions. The amount of this aid is no more calculated as the difference between the indicative price of the production and the representative price of the market, but rather fixed to 1322.5 Euros/ton of olive oil for a Guaranteed National Quantity (QNG) of 1777261 tons (760027 tons for Spain, 543164 tons for Italy, 419529 tons for Greece, 51244 tons for Portugal and 3297 tons for France). This measure has, in fact, raised of 31,6% the maximal guaranteed quantity, but lowered of 5% the amount of aids. We note, furthermore, that after November 1st, 2001, production aids can only benefit from oils stemming from of olive trees planted before May 1st, 1998, except for special case anticipated by the regulation. The goal is to limit to a maximum the speculative plantations that caused the instability of the olive oil market. We should know that a percentage of production aids (1,4%) is kept to be regionally allotted to the financing of actions aiming at improving the quality of oil production and its impact on the environment. 0,8% are also kept and assigned to organizations of recognized producers, and to their unions to compensate for the expenses due to responsibilities of management and control that they assume. The inclusive aid granted to the small producers (500 Kg) has been cancelled.

In 2001, the commission has decided to put back the application of arrangements of this regulation during the seasons 2001/02, 2002/03 and 2003/04 (Regulation n°1513/2001/CEE). These arrangements permitted some improvement in the common organization market of olive oil, but information and experiences acquired during the transitional period, didn't allow the commission draw well- founded and definitive conclusions, and to propose a reform of the current regulation. The commission has equally decided that from November 1st, the regime of production aids only concern the olive trees put down in a GIS whose completion has been certified. It has moreover reinforced mechanisms of olive and olive oil quality management, by the adjustment of appellations and definitions, and by the creation of a regime of encouragement of operators organizations accepted in the realization of programs of improvement and attestation of the quality, as well as in the managing of the sector and of the olive oil market.

Recently, the European commission has decided to insert production aids in the single payment to the farm topping 60% (100% for farmers having a surface area inferior to 0,3 hectares) of the amount received during a definite reference period with regard to seasons 2000/2001, 2001/2002 and 2002/2003 (31). In order to avoid the abandonment of olive trees, 40% of payments to olive oil during the reference period will be assigned to States members in the form of a national envelope (table 5). This budgetary envelope will be devoted to the granting of aids to the olive grove, by hectare or by tree, not related to the production, and intended to maintain olive trees, and to preserve soils and environment, while taking into consideration the local traditions. It will be the States members' concern to designate zones on the basis of a framework to be set up by the European Commission, while respecting a maximum of five categories of olive groves to be granted aids according to their environmental and social value.

Zones of olive groves planted after the 1st of May, 1998, except those inclusive in the new plantation plans approved by the European commission, will be excluded from the single payment regime by farm and by olive grove. The single payment and the aids for the maintenance of olive groves having environmental and social value are applicable from January first, 2006.

Table 5: Distribution of the budgetary envelope according to member countries

Countries	Budgetary envelope (Millions Euros)
Spain	412,45
Italy	272,05
Greece	208,14
Portugal	22,66
Cyprus	2,93
France	2,1
Slovenia	0,17
Malta	0,07

Source: European Commission, 2003

- Adoption of quality and merchandising standards (traceability, labeling, packing etc….) which are more and more restraining. Appellations and definitions, actually in force, are those kept in the framework of the EC regulation n° 865/2004 modifying regulations n° 1513/2001, n°1638/98, n°356/92 and n°136/66/CEE. The qualitative standards of every appellation as well as methods of analysis are fixed by the EC regulation n°1989/03 modifying regulations n°796/02, n° 2042/01, n° 2568/91 and n° 2658/87. Standards of olive oil merchandising are the subject of the regulation n° 1750/04 modifying the regulation n°1019/02. They concern the conditioning, the labeling, the presentation and the advertisement for the marketing in the European Union. In addition to these appellations and definitions fixed by the European Union, we stress the presence of IOOC and Codex Alimentarius standards. An agreement made at a technical level, between these institutions, had to lead to the harmonization of these standards in 2003. This agreement is not yet set.

- The emergence of new producing and exporting countries of olive oil, benefiting certain preferential tariffs on the European market within the framework of association agreements (quota with no MFN tariffs). The quotas of olive oil granted to third countries other than Tunisia are distributed as follows: Morocco (3.5 thousand tons) (32), Algeria (2 thousand tons) (33), Palestine (2 thousand tons with an increase of 500 tons per year) (34), Lebanon (1000 tons) (35), Jordan (2000 tons in 2006 that will move to 12000 tons from 2010) (36), and possibly Syria that recorded a considerable growth in its production amounting to 183 thousand tons in 2003, while it was only 94,4 thousand tons in 1990. (Negotiations in progress) (Table 6).

- The programs of promoting olive oil production undertaken by emergent consumer and importer countries as the USA, Australia, and Japan, and by others like Argentina, Chilly and other countries will generate an increase in availabilities in olive oil in these countries. For the future, these availabilities will cover their needs of consumption and will clear the exportable surpluses that could compete with traditional exporters.

- The competition between olive oil and the other seed oils that may negatively affect the position of the olive oil on the food oils market.

  Olive oil belongs is part of vegetable oils although it has specific features distinguishing it from all these oils. In fact, for consumers, olive oil is substitutable by other vegetable oils, and this would have certain effects on the levels of consumption, price and demand.

In the 60s, olive oil represented 8% of the food oils produced, consumed and exchanged on the world. Being aware of the narrowness of olive oil market, and of the intensive competition exercised by seed oils which are cheaper, the majority of traditional producers and exporters have cantered their policies on productivity increase and quality improvement. These policies aimed at preserving traditional markets against this aggressive rivalry, and to find new markets.

The International Olive Oil Council (IOOC), supported by the European Union, has started, through the different international agreements about olive oil that have been following one another since 1956, to coordinate these national policies in order to interne in the realization of there objectives. Programs of modernization, research-development and instruction, and propaganda and promotion actions undertaken by this national organism, and efforts to intensify olive trees in dry and rainy areas, and bond to preserve olive oil quality, and to reinforce partnerships agreements between EU and the third countries, have allowed for a substantial promotion and a stretching of olive oil world market. In fact, statistics relative to development of this market show, with regard to the 60s, that the production and the consumption have almost doubled and exchanges have increased five times. This promotion, however, has not improved the position of this product on the world market of food oils. On the contrary, this position has obviously regressed to reach only 3% nowadays.

Table 6: Olive Oil Quota granted to Third Countries

Third Countries	Code NC	Quota (Ton)	Date of Application
Lebanon	**150910**	1000	March 2003
	15100010		
Palestine	**150910**	2000	January 2005
Tunisia	**15091010**	57167	May 2004
	15091090		
Algeria	**1509**	1000	October 2005
	1510	1000	
Morocco	**1509**	3500	September 2005
	151000		
Turkey*			In progress
Syria			In progress
	150910	2000	From 1er January to 31 December 2006
	150910	4500	From 1er January to 31 December 2007
	150910	7000	From 1er January to 31 December 2008
	150910	9500	From1er January to 31 December 2009
Jordon	**150910**	12000	From1er January to 31 December 2010
*Current regulation: tariff reduction on olive oil importation of this country			

Source: European Commission (association agreement)

Conclusions

This research provide an overall evaluation of the internal and external factors that determine the performances of olive oil sector in Tunisia, pointing out the major strengths, Weaknesses, opportunities, and threats (SWOT) that can be present with their present and future evolution.

The internal diagnosis has revealed that the olive oil production system in Tunisia is characterized by the diversity of olive trees inheritance, the low production cost with regard to the main producing countries, the controlled safeguard of the inheritance (phytosanitary protection), and the long experience of producers. It offers big possibilities to improve quality and signs of quality. Despite these strengths, this system shows considerable weaknesses, among which we mention; the concentration of plantations in the arid and semi-arid regions, the weak proportion of the irrigated olive tree area, the alternation of the production and the low productivity of plantations.

Likewise, this diagnosis has shown that the strengths of the olive oil export system in Tunisia lies in the geographical position of this country, the long experience of the ONH, the private operator implication in the collection and the exportation, the diversity of institutions and the importance of the tourism sector. Whereas weaknesses are summed up in the weak effort of market prospecting and the manifest lack of marketing strategies, the unavailability of information, the absence of horizontal and vertical integration, the dominance of the olive oil market in bulk, the Tunisian export concentration on the European market, and the absence of long- term strategy.

The external diagnosis that has concerned the dynamics of the world market and the policy reforms has emphasized six opportunities. In order to improve its competitiveness, Tunisia has to catch the world's growing demand on olive oil, the European imports in inward-processing arrangement, the quota granted by the European Union, its image as a country producer and exporter of olive oil, and the difficulty to supply European packaging operators due to the position of the Spanish cooperative cartel. However, Tunisia has to face threats relative to the importance of the MFN tariffs applied to European imports of olive oil coming from third countries in normal regime, to production aids granted to the European producers, to the more and more restraining character of standards of quality and marketing at the level of the European market, to the emergence of new olive oil producing and exporting countries, benefiting certain preferential tariffs on the European and to the negative effect on the future import demand on olive oil that may be due of the increase in the olive oil production in the emergent importer countries and the competition of seed oils.

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