# CHARACTERIZATION OF EUROPEAN OLIVE OIL PRODUCTION AND MARKETS

## ANALYTICAL SCHEME

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**List of products:** Extra virgin olive oil, Virgin olive oil, Olive oil (blend of refined and virgin olive oil), Olive-pomace oil.

**Countries explored:** Spain, Italy, Greece, Portugal, France

**Period of analysis:** 1990-2004

### I/ POSITION OF EUROPE IN WORLD PRODUCTION AND TRADE

1-1- Europe and its competitors: (IOOC, FAO, EU sources)

- world production, surfaces and yields (EU, IOOC) (total, main countries, total EU-15, emphasis on European producers)
- imports: volumes and values, average prices, by principal origins (position UE-15)
- exports: volumes and values, average prices, by principal destinations (position UE-15)

**Indicators**: average levels, average annual growth (%), dispersion (CV), positioning indicators relative to competitors

1-2- Macro-level importance of olive oil in Europe: (IOOC, EU, National accounts)

- share of olive oil in total agricultural output
- share of surfaces with olives in total UAA
- share of employment in the sector in total agricultural employment
- % imports of olive oil/total imports of agricultural products
- % exports of olive oil/total exports of agricultural products

| Indicator | Spain | Italy | Greece | Portugal | France | EU |
|---|---|---|---|---|---|---|
| Agricult. area | | | | | | |
| Area with olives | | | | | | |
| Total labour force | | | | | | |
| Total output | | | | | | |
| Number of farms | | | | | | |
| Farm size (ha) | | | | | | |

**Indicators**: trade specialisation/diversification indices, trade revealed advantage indices

## II/ The social and institutional environment

- evolution of the consumption of olive oil and substitute oils, consumer buying behaviour (countries differences) (IOOC, EU, national sources…)
- CMO for olive oil (objectives, dispositions, investments privileges, budget distribution, promotion), Agencia del Aceite de Oliva...(EU, national sources)
- International WTO agricultural agreements and negotiations underway: impacts and prospects (WTO, EU)
- technical framing of the sector (investigation and divulgation, innovations, quality and control certification bodies…)... (EU, national sources)
- organisation of the profession (producers and exporters associations, syndicates, interprofessions, local administration…)...(EU, national sources)
- national and regional support and investment policies in the sector
- importance and quality of the transport and communication infrastructures (roads, ports, airports, storage capacity of cooling-plants, telecommunications…)...(EU, national sources)
- fiscal systems : tax systems...(EU, national sources)
- wage policy (wage agreements, social charges, qualification of the labour force, training) ...(EU, national sources)

## III/ Olive and olive oil production systems and their compared performances

1- <u>Production systems</u>

- natural endowment (soil and climatic conditions) (IOOC, EU, national sources)
- investment in irrigation, production techniques, plant protection, emergent production systems at farm level (organic, integrated production, precision production… (RICA)
- production systems at industrial level (1st and 2nd transformation stages)

2- <u>Economic organization and structure</u>

- farms: number, structure, size in ha, economic size, specialization/diversification, status, permanent/ seasonal labour force, type of the labour force (familiar/ hired labour, foreign/ local…), average age of the manager, qualification… (RICA, EU, national sources : INE, MAPYA...)

Farm level (microeconomic data)

| Indicator | Spain | Italy | Greece | Portugal | France | EU |
|---|---|---|---|---|---|---|
| Number of farms | | | | | | |
| Area with olives | | | | | | |
| UDE | | | | | | |
| Total labour force | | | | | | |
| Total prod. | | | | | | |
| Total output | | | | | | |
| Expenses | | | | | | |
| GV Added | | | | | | |
| NV Added | | | | | | |
| Prod./UTA | | | | | | |
| NVA/UTA | | | | | | |

Organization of mills (1st industrial transformation)
- concentration of supply, number of producer organizations (cooperatives…) per country, principal operators (dominating strategies), financial structure and sources (national/ international, public/ private) (EU, national, IOOC...)

Main olive milling firms in Europe (1st transformation)

| | Status of the enterprise | Total sales | Export sales (% total sales) | Labour (nº of workers) |
|---|---|---|---|---|
| 1<br>2<br>3. | | | | |
| | | | | |

Organization of the 2nd industrial transformation

Developments in the structure of the oil industry and food industry (FI)

| | | FI | Oils/fats | Olive oil | Oils/fats/ total (%) | Olive oil/ total (%) |
|---|---|---|---|---|---|---|
| Number of enterprises | 1990<br>2003 | | | | | |
| Working- power | 1990<br>2003 | | | | | |
| Investments | 1990<br>2003 | | | | | |
| Production | 1990<br>2003 | | | | | |
| Value added | 1990<br>2003 | | | | | |
| Exports | 1990<br>2003 | | | | | |
| Imports | 1990<br>2003 | | | | | |

(Source : EU, national...)

Main olive oil firms (2nd transformation) in Europe

| | Status of the enterprise | Total sales | Export sales (% total sales) | Nationality | Labour (nº of workers) | Main activity | Principal brands |
|---|---|---|---|---|---|---|---|
| 1<br>2<br>3 | | | | | | | |
| | | | | | | | |

<u>Structure of the industry of packed olive oil</u> (in Europe and main producing countries)

Packed olive

| | Number of enterprises | Production |
|---|---|---|
| Olive oil | | |
| Virgin olive oil | | |
| | | |

Sources : EU, IOC, national sources, Asoliva, ...

**Indicators**: concentration indices: CR4, CR10… (relevant markets to be defined)

- governance of enterprises, capital composition and ownership: public, private, familiar, presence on the Stock Exchange.
- industrial logics (in each country) : production technologies, localization of production (concentration).
- outlets: modern retail outlets, restaurants, hotels…, which prospect for the future ? which margin for negotiation?

Sources : EU, IOOC, national sources, Euromonitor, Alimarket, Asoliva, ...

## IV/ MARKETING STRUCTURES AND BUSINESS STRATEGIES

1- Diversity of operators and marketing channels

- identification of principal operators (nº, market share) in each stage of the supply chain: olive producers, first processing stage (milling industry), second processing stage (refining and packers), wholesalers, retailers (large distribution formats, traditional commerce, hard discount), importers, exporters, HRC
- marketing channels
- marketing margins, price transmission and transparency.

2- Predominant strategies

- strategies used by the companies in accordance with their status (familiar, cooperatives, multinational…), their size and their core activities (specialization/ diversification): measures of structural change (introduction in foreign markets, internal growth …)
- Product valorisation and supply strategies: certification and quality measures (PDO, IGP, organic agriculture…), branding policy (producer vs distributor brands), supply segmentation, product innovation (EU, national, Mercacei, Alimarket, Oleo...)
- factors determining purchases (price/quality…)
- procurement strategies (contract specifications, certification and quality norms, partner choice…), concentration at the purchase stages (purchasing centrals, platforms…), profiles of suppliers (producers, co-operatives, oil mills, direct imports)
- geography of purchases/ strategic alliances with partners from the Southern Mediterranean countries : identify the differential competitive advantages; identify the diversity of supply chains linking southern producers with northern (European) consumers/ importers.
- vertical arrangements within the supply chain (contracts, alliances, partnerships…, transaction cost perspective), task outsourcing
- logistics, current and potential use of new technologies, especially IT
- marketing strategy (branding pricing, advertising, product segmentation, completion of product lines…)
- target markets: in domestic markets, in the EU and beyond (special emphasis on non-traditional markets), which communication for olive oil?, importance of technical and non-technical barriers…
- quality and certification activities: which compromise between national and international, private and public regulations?

Sources : EU, IOOC, national sources, Euromonitor, Alimarket, Asoliva...

**OTHER SOURCES :** published literature, studies, reports, Datamonitor…