

The 2006/2007 Production Campaign

With the 2005/2006 campaign, which was singular and not without some controversy, still fresh in our minds and with the first oils of the new campaign already being produced, it is perhaps appropriate to turn our minds to the 2006/2007 production campaign.

As always, all the economic agents involved in the olive oil sector—including other producing countries and the main importing countries—are waiting for news of harvest estimates and, especially, the harvest in Spain given its influence on international olive oil stocks.

Contrary to the huge disparity in estimates during the last campaign, it would appear that on this occasion we have a consensus with nearly all forecasts pointing to a Spanish harvest of between 1,150,000 and 1,200,000 tonnes to which must be added an available stock of 210,000 tonnes.

It goes without saying that the nearly unanimous consensus over the volume to be produced, even if there should then be a slight variation of around $\pm 5\%$, will clear up any uncertainty in the market both in terms of supply and demand, leading to a much more rational performance.

It is necessary that the sector and public bodies agree on a harvest forecast each year. This “quasi official” estimate, together with forecast production figures from other producing countries, would encourage a campaign which is more in keeping with

the reality of the market. Prices would become more appropriate in turn reducing volatility, thus benefiting all parties involved.

Even though the percentage increase for the new campaign will be higher than the previous one, in absolute terms a harvest of around 1,200,000 tonnes is much closer to a figure in the middle to upper range than an extremely high one, especially when we look at the past five years and forecasts for future harvests.

In this regard, the strategy pursued by the Spanish olive oil sector should be based on a medium-term plan which contemplates different variables and is not just focused on getting

through the current campaign. These variables would be:

- The need for “sector” consensus. This was already obvious before. Quite apart from improving the methods used to make this consensus and evaluating the production at new plantations, damage due to adverse weather conditions etc. the aim is to avoid a proliferation of estimates which are sometimes contradictory and which cause unnecessary uncertainty.
- The best means of supporting a product such as olive oil is to demand quality across the whole

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value chain. The objective is to study the whole process and wield a tighter control over any weak points identified.

- The concept of stable prices has not been devised to advocate low prices, but to try and avoid any sharp price swings in short spaces of time. The more transparent the sector is and the more attention paid to the last link in the chain, i.e. the customer, the easier this stability will be to achieve.
- Even though it is easy to assume that the domestic market will recover if prices are lower, we must not lose sight of the fact that this market accounts for half of the total production and that it is difficult to increase per capita consumption. Therefore, the Spanish consumer must be prevented from shying away from olive oil.
- The Spanish food service sector plays an essential part in olive oil

consumption and must be paid particular attention and have its own action plan.

- We cannot stress enough the need for a generic marketing campaign, one which is quite separate from those being pursued by the various brands, aimed at promoting the advantages of olive oil both in Spain and abroad by including, for instance, scientific data regarding the health benefits of olive oil. We still have a long way to go in this area, especially in the domestic market and special attention will be needed for the younger section of the population.
- During the past five campaigns, the average volume of oil exported was 50.6% of the total production which demonstrates this market's importance as an outlet for production so avoiding surpluses. If we consider that bulk exports are affected more by external than internal

factors, we must consolidate and expand the growing trend of exporting bottled oil in order to reduce our dependence on bulk exports.

- Perhaps "sector coordination" which comes at the end of the list of actions making up the strategic plan should actually come first as any plan demands a minimum, or, should I say, maximum amount of coordination.

It might be a good idea to recall that the "Interprofesional" was drawn up precisely to resolve all of the issues described above.

The logical question is then, what does the "Interprofesional" hope to achieve through this action plan? The answer to this will determine whether we should continue with our "day-to-day" approach or whether we are to adopt actions more in keeping with the sector's medium and long-term requirements.



Decline in Domestic Olive Oil Consumption

Pending figures for October, sales of olive oil made by ANIERAC bottling companies totalled 307 million litres, 12% down on the previous campaign. This decline in the domestic consumption of brand name bottled olive oils is a direct result of the increase of ex mill prices which began during the summer of 2005 and continued throughout the 2005/2006 campaign with the price reaching 4.2 euros/kilo at the olive mills.

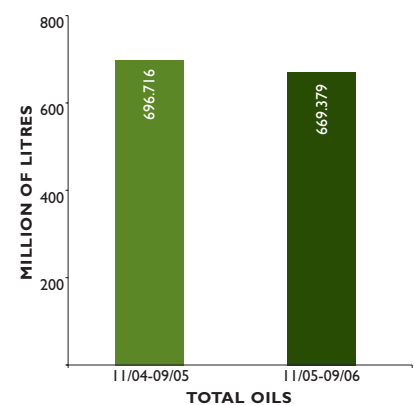
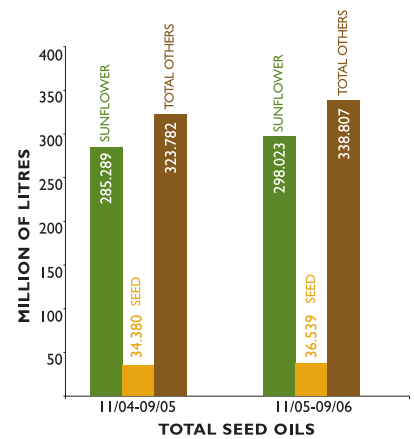
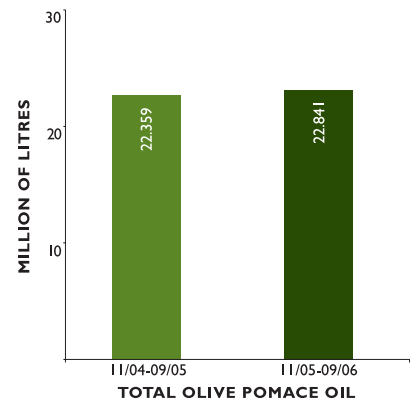
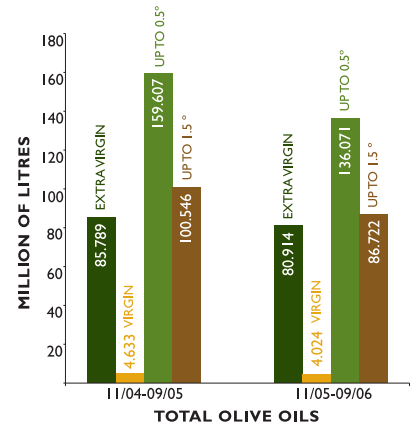
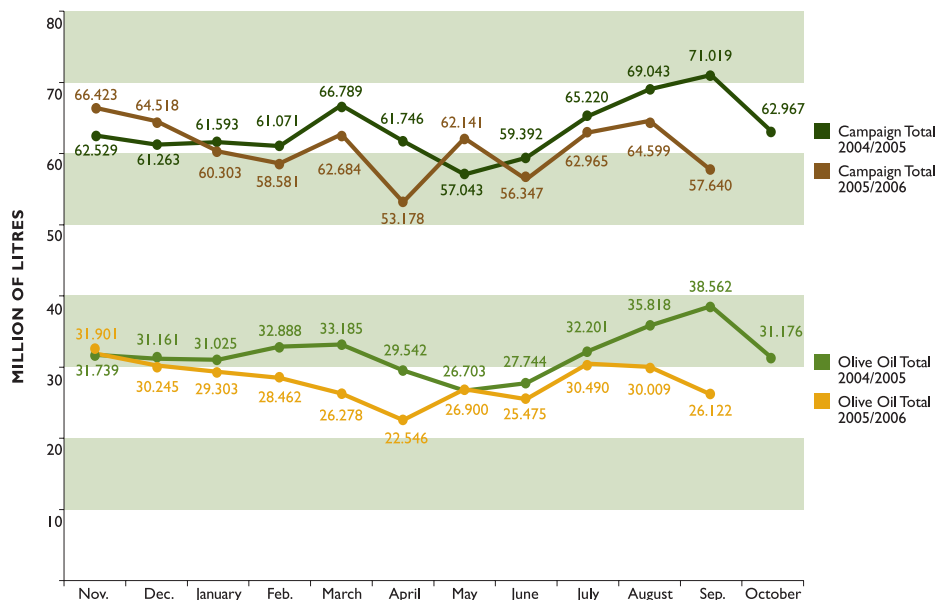
Between November 2004 and September 2005, ANIERAC companies placed 350.57 million litres of bottled olive oil in the market compared with 307 million litres so far this year. This is nearly 43 million litres less, a fall of 12.22%. As you can see from the figures, all categories were affected nearly equally by this fall in consumption apart from "extra virgin oil" which fell by 6%.

However, olive pomace oil was not affected by this decrease in consumption although prices were also in line with other olive oils. To September, nearly 23 million litres of olive pomace oil were placed in the domestic market, nearly half a million more than the previous campaign, and an increase of 2.10%.

Increased sales of seed oils is not a reflection that olive oil consumers are switching over to these oils. During this same period, sales of seed oils increased by 15 million litres, much less than the 43 million litres sales loss reported by olive oils. Since November 2005, 338.8 million litres of seed oils have been sold, with sunflower oil accounting for 298 million litres. Sunflower oil is the clear leader in this market with refined seed oils trailing a long way behind.

Overall sales of bottled oils, which were affected by a downturn in olive oils sales, fell 3.92% or 27.3 million litres less than the previous campaign.

Bottled Oil Sales



Interview with Habid Essid,

Executive Director of the International Olive Oil Council



Since the International Olive Oil Council (IOOC) was set up, the projection of olive oil on the international stage has changed, especially in recent years. What role do you think the IOOC has played in changing this mind-set? And what measures is the IOOC taking?

Absolutely, since the IOOC was set up in 1956, the international community has looked at the sector with different eyes. I cannot deny that the role played by the IOOC has been fundamental. In fact, our organisation has helped the cultural and technical advancement of olive oil over the past 50 years, encouraging research and development, promoting the transfer of technologies – particularly in olive oil producing countries in the Mediterranean basin, and offering training for executives in order to improve the quality of olive grove production. These activities have given a boost to production both in qualitative and quantitative terms.

With regards to the international trade of olive oil, olive pomace oil and table olives, the IOOC has been active in fine-tuning the physico-chemical and sensory standards which have enabled us to improve and evaluate the level of awareness about the composition and quality of olive oil products.

Another issue which has helped has been the harmonising of national and international legislation regarding the sale of olive oils, olive pomace oils and table olives.

We must also not forget the work carried out by the IOOC since 1984 aimed at bolstering the consumption of olive oil and table olives which has enabled us to embrace changes in production and give this basic product a worldwide dimension instead of being considered purely Mediterranean in nature.

This is one of the sector's most significant achievements which has also resulted in an improvement of the socio-economic conditions of olive oil growers.

I would also like to point out that, as part of the measures taken recently by the IOOC to keep abreast of changes within the sector, a new international olive oil and table olive agreement was adopted in April 2005 which includes significant changes compared to the 1986 agreement.

One of the International Olive Oil Agreement's objectives which comes under the IOOC's remit is fostering international cooperation. What steps have been taken and what are the most significant advances made in this area?

The IOOC leverages international cooperation to carry out its activities in various fields.

In the field of technical cooperation, the IOOC works alongside the Common Fund for Commodities, amongst others, financing R+D projects which cover various aspects of olive growing as well as financing environmental protection projects.

With regards to education, I would particularly like to stress our scientific collaboration with the universities of Spoleto (Italy) and Cordoba in their Olive Growing and Olive Oil Technology Masters courses.

The IOOC works on setting standards for the sector and I would highlight our cooperation with the Codex Alimentarius with regards to harmonising standards and our collaboration with physico-chemical and sensory research laboratories in member and non-member countries.

Concerning international trade, we have put in place international agreements and conventions in cooperation with all the players in the olive oil sector worldwide in order to avoid fraudulent practices.

This international cooperation between national and international players has benefited the International Olive Oil Council and its members, helping the sector advance, which in turn has led to a notable improvement in the quality of olive oil products.

New heavy-weight olive oil producers are emerging beyond the Mediterranean basin. What is your view of the new production map? And what about the role played by your own country, Tunisia? Will the Council's policies change?

Yes quite, the olive tree has been introduced to many a landscape whilst other countries have plans to develop olive groves. Particularly, Argentina, Australia, New Zealand, Chile, Peru, the United States, South Africa, China and Iran.

The majority of the countries I have just mentioned, apart from Iran, have applied the same method used in wine



production for their olive oil production as this method has enabled them to compete with traditional wine-producing countries, offering high-quality, competitively-priced wines.

Olive oil production in these countries, especially Argentina –where 70,000 hectares were planted between 1998 and 2003 and where production is forecast to reach 45,000 metric tonnes in 2010, in other words, double the figure for 2005–, and Chile –which already produces internationally renowned olive oils– are set to advance rapidly and we must therefore take these countries into account in the long-term.

However, I believe they currently lack the age-old experience of traditional oil-producing countries.

Considering the growing importance of these so-called “emerging” countries on the international stage, the IOOC has taken steps to encourage old members, such as Argentina and Chile, to return to our ranks, and for new members of the International Olive Oil and Table Olives Agreement, such as Australia and New Zealand, to join us. These moves can only help old and new members alike.

The promotional activities carried out by the IOOC and producing countries have opened up new markets such as the United States, Japan and Australia... which direction should the industry be heading in order to carry on growing?

The opening of these markets is a result of the tireless marketing campaigns carried out by the Council and member countries since 1984.

With regards to marketing programmes which the Council should undertake in the future, I would like

to mention a recent study concerning the reach and impact of the activities we have carried out and which recommends focusing future activities on, on the one hand, domestic markets, i.e. Mediterranean producing and consumer countries where action is required to bolster consumption –and, on the other, the international market including third party countries where marketing campaigns have been carried out previously.

And future markets will be chosen depending on their economic importance, real consumer purchasing power, real and future consumption levels and the growth of the demand margin.

Our priorities are India, China and South Korea.

What challenges are facing the sector and what do you feel the IOOC's future role will be in terms of marketing?

There are several challenges that the International Olive Oil Council will have to face up to immediately while bearing in mind all the areas which make up the olive oil sector. First of all, I would mention the environmental impact of olive oil subproducts, their treatment and re-use.

The IOOC's members are aware of this issue and have highlighted safeguarding the environment as a priority in the new International Agreement. In fact, the Council is already moving to address the issue and has set up a project for the treatment and re-use of olive oil subproducts in conjunction with the Common Fund for Commodities.

The second challenge facing the sector is the pursuit of scientific research which will favour the development of

olive oil products and adapt them to future needs. The Council will support, as it always has, applied scientific research into these products.

The International Olive Oil Council will need to carry on its work to improve the quality of olive oil and table olives in order to place these products in the international market and to face up to challenges from other edible oils.

And concerning marketing, I have already mentioned the recommendations made in the study of the IOOC's marketing actions and the new markets where campaigns should be carried out.

What role do you think Spain will play in the future olive oil market?

Spain's role in the international market is continuously increasing, confirming its position as the leading producer of olive oil and table olives.

In fact, each year Spain's share of the world market increases due to improvements made to its export structure –such as increasing bottled olive oil exports–, the wide range of varieties which are winning international competitions due to their high quality and, lastly, a wide range of customers.

This achievement is largely due to the strong national production system which is a model to be followed, developing scientific research into olive oil products, both country-wide and through local development programmes, the significant contribution from marketing activities carried out by public bodies and the private sector and also to trade strategies pursued by food groups.



Olive Oil Exports*

During the first 11 months of the 2005/2006 campaign (November to September), exports by ASOLIVA member companies rose 12.36% compared to the same period the previous campaign (226,538 tonnes vs. 201,615 tonnes in 2004/2005).

Exports of olive oil sold in containers of less than 5 litres to EU countries have soared by 132.70% to 45,565 tonnes vs. 19,581 tonnes during the previous campaign. However, exports to non-EU countries fell by 1.86%. Exports of bottled olive oil to all destinations rose by 31.63%. This means that a total of 103,550 tonnes were exported during this campaign, compared to 78,666 tonnes last year.

Exports of olive oil sold in containers of over 5 litres to EU countries rose by 5.58%, whilst exports to non-EU countries fell by 18.03%. Exports of olive oil sold in containers of over 5 litres, regardless of country of destination, rose by 0.03%. This means that a total of 122,988 tonnes were exported during this campaign, compared to 122,949 tonnes last year.

Exports of olive oil to the EU, regardless of the type of container, rose by 27.48%, whilst exports to non-EU countries fell by 7.17%. Exports, regardless of country of destination or type of container, rose by 12.36%. Thus, a total of 226,538 tonnes were exported this year compared to 201,615 tonnes last year.

According to customs office data, exports from Spain during the first 10 months of the 2005/2006 campaign (November 2005 to August 2006) totalled 304,211, up to 111 tonnes, 15.17% less than the 358,598 tonnes exported during the 2004/2005 campaign.

Of the export figures recorded by ASOLIVA members during the current campaign (November 2005 to April 2006), we would highlight that 54,586 tonnes in containers of less than 5 litres were exported to all destinations, of which 35,818 tonnes were exported as extra virgin olive oil, accounting for 65.26% of the total extra virgin oil exported in containers of less than 5 litres.

Comparison of Olive Oil Exports during the 2004-2005 and 2005-2006 Campaigns, and 2005-2006*

Figures in tonnes

Month/Year	Bottles containing less than 5 litres			Bottles containing more than 5 litres			Total		
	EU	3 rd Countries	Total	EU	3 rd Countries	Total	EU	3 rd Countries	Total
11-12/2004	3,408	10,134	13,542	16,490	7,093	23,583	19,898	17,227	37,125
01-09/2005	16,173	48,951	65,125	77,571	21,796	99,366	93,744	70,747	164,491
Campaign T.	19,581	59,085	78,666	94,061	28,889	122,949	113,642	87,974	201,615

Month/Year	Bottles containing less than 5 litres			Bottles containing more than 5 litres			Total		
	EU	3 rd Countries	Total	EU	3 rd Countries	Total	EU	3 rd Countries	Total
11-12/2005	8,351	11,184	19,535	14,814	4,191	19,005	23,165	15,375	38,540
01-09/2006	37,214	46,801	84,015	84,494	19,489	103,983	121,708	66,291	187,998
Campaign T.	45,565	57,986	103,550	99,308	23,680	122,988	144,872	81,665	226,538

% Campaign	132.70	(1.86)	31.63	5.58	(18.03)	0.03	27.48	(7.17)	12.36
% Year	130.09	(4.39)	29.01	8.93	(10.58)	4.65	29.83	(6.30)	14.29

* excluding the Canary Islands, Ceuta Melilla and olive pomace oil.



Nutritional Labelling of Oils

The Ministry for Agriculture, Fisheries and Food recently published a report on the importance which consumers and distributors give to the nutritional labelling of foods. 61.2% of consumers say that they always, or nearly always, read the labelling. According to the survey, Spanish consumers are able to find the information they are looking for easily and rate label understandability at 5.9.

Leaving aside their views on brands, which has not been assessed in this survey, consumers and distributors stated that they are most interested in the expiry or “best before” date, usage and storage information and ingredients. The next most important aspect, and one which rated nearly as highly as the previous, is the food’s nutritional or health properties.

Information on a food’s nutritional and health properties is at the centre of a fierce debate about the influence of a healthy diet and physical activity in preventing excessive weight gain, obesity and certain chronic illnesses. The information contained in the nutritional labelling should provide the consumer with the details needed to make an informed decision.

Strategies are being promoted worldwide to fight against the imbalances caused by unsuitable food and lack of physical activity which is leading to more and more cases of obesity and a rise in certain chronic illnesses in the majority of countries in the western world.

Information on a food’s nutritional and health properties used commercially, be they as part of a marketing campaign or in labelling, must meet the demands of the educated consumer. In the European Union today

this nutritional information is not part of obligatory labelling but is mandatory when a product is marketed as having certain nutritional or health properties. For example, if a food or drink is advertised or labelled as being “high in calcium” the labelling must specify the amount of calcium in accordance with two specific benchmarks or groups defined by EU legislation. These general guidelines concerning nutritional labelling were introduced into Spanish legislation under Royal Decree 930/92 of 17 July, which specify the only two models which can be used when presenting nutritional information on labelling (see tables).

Group 1 ⁽¹⁾
Average nutritional value
Nutritional value
Proteins
Carbohydrates
Fat

Group 2 ⁽¹⁾
Average nutritional value
Nutritional value
Proteins
Carbohydrates
of which sugars
Fat ⁽²⁾
of which saturates
Fibre
Sodium

1) The information must be expressed in 100 grams or 100 millilitres.

2) Whenever the amount, type of fatty acids or amount of cholesterol is stated, this figure must always be followed by the total fat content broken down as follows:

- Fat (in grams), of which:
- Saturated (in grams)
 - Monounsaturated (in grams)
 - Polyunsaturated (in grams)
 - Cholesterol (in milligrams)

Within the EU there is an increasing number of foods which show nutritional information. Sometimes differences arise due to the varying levels of legislation in each country which do not provide consumers with sufficient protection and which can limit the free movement of these products leading to conditions of uneven competition. After lengthy debate, a regulation has been approved which will be applied to all member states as of 2007. This will bring existing EU and national legislation into line over food labelling, presentation and advertising even if foods are sponsored by public authorities.

Based on the general principle applicable to all labelling –which does not allow false, ambiguous or misleading information– nutritional information must be based on scientific research proving that a product has nutritional or physiological benefits and the conditions which a food must meet and the requirements to use these nutritional statements or health claims in marketing campaigns.

Under this regulation, there are three types of statements:

1. Nutritional.
2. Those regarding healthy properties which concern reducing the risk of succumbing to an illness, and promoting physical development and children’s health.
3. Others concerning health properties separate to those listed above.

It will be some time before this regulation is fully applicable as lists need to be drawn up of the statements which will be permitted and the conditions under which they may be used.



Overseas Promotion of Olive Oil

Numerous promotional activities have taken place in the various markets over the past three months.

In the United States, as well as continuing with the USA Gourmet Plan activities, another plan has been launched with four leading brands taking part. The focus was mainly on the Chicago, Philadelphia, Dallas and Houston markets although some nationwide activities were also included. The aim is to increase the share of Spanish olive oil, mainly large-scale distribution, where the presence of oils from other countries is lower than in other areas of the country.

The plan has a budget of 2,000,000 euros, jointly financed by ICEX, ASOLIVA and the participating brands. Of the total, 70% is to be spent on generic events (advertising, online competitions, promotions where well-known chefs or experts act as spokespersons, posters and bottle neck hangers to help identify brands better, press relations, distribution of samples and tastings at local festivals) whilst the remaining 30% will be spent on activities focusing on the brands participating in the campaign.

The most noteworthy event was Olive Oil from Spain's participation in the "Spain's 10 – Madrid Fusion in NY", which was attended by pre-eminent Spanish chefs such as Ferran Adrià and José María Arzak. As a presenting sponsor of the event the Olive Oil Spain logo appeared in catalogues, press releases and promotional material. A tasting booth was also set

up where the public could sample the oils from those brands taking part in both campaigns.

In conjunction with the Culinary Institute of America and as part of its annual event, we organised a gastronomic trip for specialist journalists and gastronomic enthusiasts. On 3 October, and following a visit to olive groves and mills, ASOLIVA offered its guests a lunch and a tasting of Spanish olive oils.

As part of its activities in Japan, a seminar was held on 5 October at the Hotel Ana in Tokyo hosted by Tsukiko Hattori, Chairwoman of the Hattori Cookery School and the International Olive Oil Council's adviser in Japan.

The seminar, aimed at public professionals, was attended by 55 people (buyers, journalists, potential and current importers, gourmet shops and restaurants).

During the seminar the new brochure on Spanish olive oil to be used at the various promotional events during the current campaign was presented.

Meanwhile, in Germany seminars and tastings have commenced at cookery schools. This hugely successful activity was at the forefront of our campaign last year and it was decided to repeat it in 2006. The seminars are aimed at cookery students who are then invited to taste the different varieties of Spanish olive oil in order to discover its tastes and aromas.

In Australia, two e-newsletters containing news, recipes and information about Spanish olive oil were emailed to subscribers, professionals and consumers. The website has been updated with photos and recipes. The new bottle neck hangers in supermarkets and gourmet shops enable consumers to identify Spanish olive oil from other brands on the market.

Whilst in China, advertorial inserts on Spanish olive oil are being produced. The September issue of the magazine Food & Wine ran a two-page advertorial and two more have been approved for its November issue and also for the magazine Trends Health.

Restaurant promotions in Brazil included handing out free issues of various publications produced by the Casa do Azeite Español to diners at restaurants chosen either by importers of associated companies present in Brazil (aimed at improving the customer-importer relationship) or because Spanish olive oil is used in the menus.

Our Brazilian website is running competitions for recipes incorporating Spanish olive oil for those consumers who use the brands present in the Brazilian market. The winner will receive a publication from the Casa do Azeite Español. A tasting seminar for professionals was also held and a new publication will soon be released entitled "Spanish olive oil - Top 20" which contains recipes which 20 chefs feel best represent Spanish olive oil.

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