



We're Well on Our Way

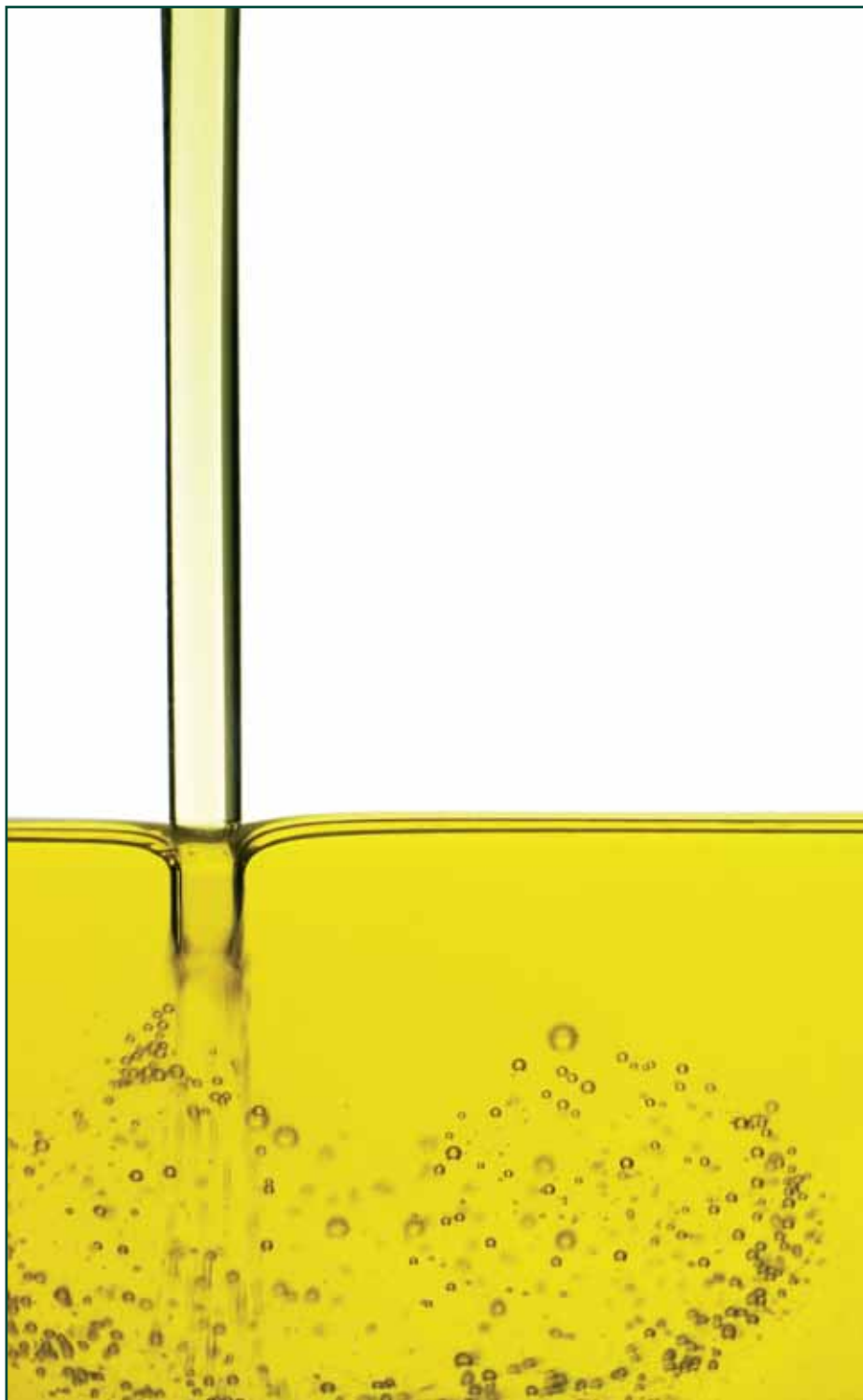
Now that the first promotional campaign of the Organización Interprofesional del Aceite de Oliva Español ("Interprofesional", the multi-sector Spanish olive oil organisation) is over, we are happy to say that the Spanish industry is satisfied with how it has gone, the initiatives undertaken and our contribution to its launch and development. The sector's organisations have been able to join forces, although at times this did hang in the balance, and work together in proving that "We're all committed to olive oil" as we stated in the first Interprofesional newsletter.

Interprofesional was set up on 1 November 2007 by implementing the extension to the sector regulation allowing the organisation to raise funds via financial contributions from all sector agents (producers, co-operatives, industrial olive oil mills, exporters and bottlers). Its main objectives are to use these funds to develop initiatives to foster the consumption of olive oil both in Spain and abroad. The organisation is also committed to promoting research and innovation in the cultivation, transformation and marketing of this product as well as commissioning studies which highlight the characteristics of olive oil and its nutritional and health properties.

This has not been easy. On the one hand we needed to design a system capable of grouping together the contributions from the numerous economic agents operating in the sector while also establishing our priorities and the criteria needed to roll out these initiatives using these resources.

We were able to resolve the first issue by introducing a detailed system of

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managing the financial contributions from the sector's 2,000 companies based on their monthly sales figures. This system has worked well thanks to the collaboration of the Ministry of the Environment, Rural and Seaside Areas (MARM for its initials in Spanish) which, via an agreement signed with the Olive Oil Agency, has helped us with the figures used to calculate the quotas. Thanks to this efficient system we are delighted to say that nearly 100% of the contributions have been collected satisfactorily.

With regard to the second point, research into possible initiatives aimed at achieving our objectives has shown that the promotion of olive oil consumption needs to be adapted and tailored to the various sections of the market:

- EU countries where Spanish olive oil is leader.
- Non-EU countries where consumption is high and where our target is to position Spanish olive oil as the leading quality benchmark.
- Other incipient and potential consumer countries where we shall demonstrate its qualities and characteristics while taking into consideration local tastes.

Promotion in Spain is vitally important and we feel we must dedicate the majority of our resources here.

Now that the system has been defined we have sought to make these initiatives more efficient by involving other competent bodies or institutions, including the European Union with its co-financed promotion programmes and the MARM, which has not just backed our promotion campaigns but has also collaborated in various olive oil market studies. We were also able to count on support from the Agriculture Ministry for the Regional Government of

"Based on the results of market research into olive oil consumption in France and the UK, we have altered the messages of our promotional campaigns"

Andalusia. ICEX confirmed its traditional backing and we were delighted to receive support from EXTENDA, the Trade Promotion Agency of Andalusia, helping us launch a number of campaigns in countries with the assistance of its highly-qualified staff.

Given the raft of research possibilities, unfortunately we have not been as active as we would have liked. We have identified priority areas such as cultivation and harvesting techniques which have already received funding. Based on the results of market research into olive oil consumption in France and the UK, we have altered the messages of our promotional campaigns for the next three years in these countries. We have also focused on a channel which offers numerous possibilities, ie the use of olive oil in the Spanish catering and restaurant business. Research into health and the nutritional properties of olive oil is also essential for Interprofessional, which promotes and supports current research lines as well as new projects in areas which are still underdeveloped.

We are pleased with the work carried out but, given our desire to obtain perfection, feel that more can be done. There are some people who would have liked us to take a different route, use different headlines in our campaigns, different messages in our ads ... With these comments in mind and based on our endeavour to benefit the whole sector and strive for the best, we shall try and incorporate them.

However, it is still too early to assess the results but we can safely say that we are well on our way.



"Promotion in Spain is vitally important and we feel we must dedicate the majority of our resources here"

ANIERAC Sales

2008/2009 crop year

In 2009, ANIERAC bottling companies placed 719.5 million litres of edible vegetable oils on the Spanish market. Over half the sales, 51.35%, were olive oil, while refined seed oil sales accounted for 46.40% of the total. The remaining 2.25% came from pomace olive oil sales.

Against the current economic backdrop, which has hit food consumption in general, sales of olive oil by ANIERAC companies have held steady, even rising marginally on 2008 figures. Total sales of olive oils amounted to 369.5 million litres, up 0.43% on the previous year.

Sales of "extra virgin" (3.56% higher at 115.6 million litres) and "mild" (up 1.93% to 168 million litres) oils both improved in 2009. Meanwhile, sales of "intense" (82.8 million litres, 6.06% less than in 2008) and "virgin" (3.1 million litres, down 6.5%) olive oils fell back.

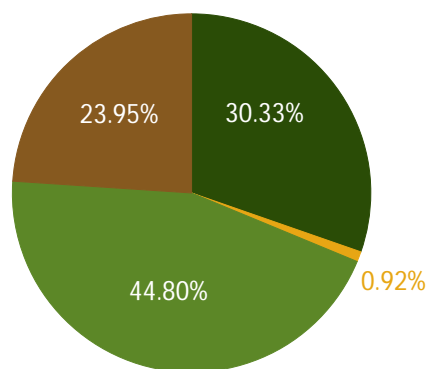
Once again, the "mild" category dominated the group with 45.47% of total olive sales, increasing its share by 0.7%. Sales of "extra virgin" oils also improved, increasing from 30.35% in 2008 to 31.28% in 2009 while "intense" and "virgin" oils accounted for 22.4% and 0.85% of sales, respectively.

Pomace oil sales once again lost ground, totalling 16.14 million litres, down by over two million litres on the previous year.

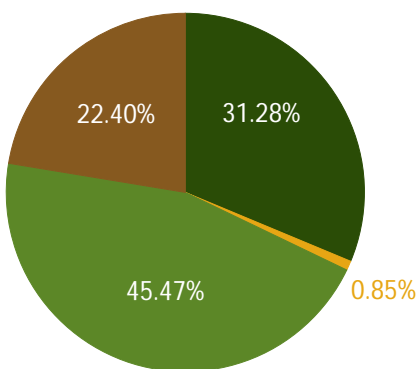
In the seed oil category, sunflower oil clearly predominates in Spain with 297 million litres sold out of a total of 333.8 million litres. However, sales did shrink 4.58% compared to 2008.

Despite the slight increase in olive oil sales, sales of seed oils dragged down total sales by ANIERAC companies, recording a 2.26% fall compared to 2008.

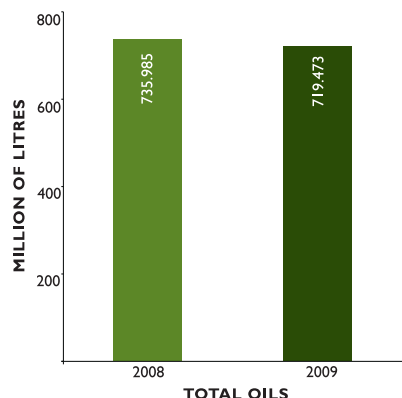
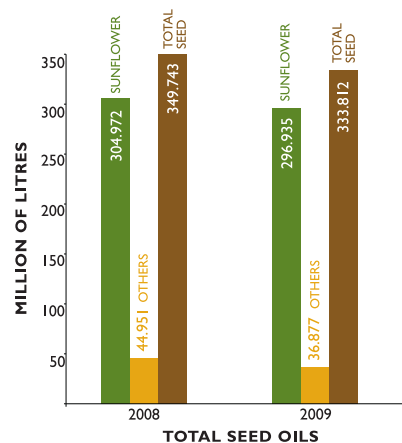
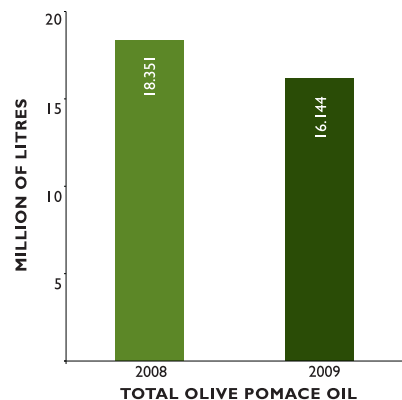
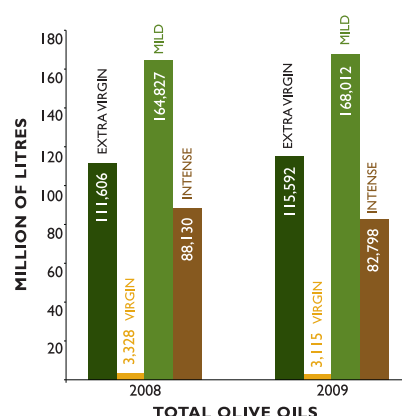
Olive oil sales by ANIERAC companies in 2008



Olive oil sales by ANIERAC companies in 2009



■ Mild ■ Extra Virgin ■ Intense ■ Virgin



Interview with Pedro Solbes,

former Second Vice-President and former Minister of the Economy



What measures can Spain take to solve its economic crisis?

I believe we need to address the most important issues facing our economy: employment, achieving sustainable public spending and improving our growth potential. For the employment situation to recover we need to grow and also improve the labour market by reducing our unemployment figures and bringing them into line with the rest of Europe. We need to reduce our deficit and lower our debt to be able to sustain public finances. This comes after the huge public spending initiative rolled out to combat the crisis both in terms of discretionary spending and the impact on automatic stabilisers. In order to grow, the financial system must return to normal and we need to continue to pursue the remaining structural reforms which will help boost productivity.

And how can we exit this crisis?

We need to improve our ability to compete abroad. This in turn will enable us to improve exports and better position ourselves in the domestic market once the economy has picked up and consumer confidence has returned, thereby

increasing spending on these policies or keeping it at current levels going forward without reviewing the efficiency of these policies is realistic. As with any other crisis, private investment will take over towards the end.

What role should the Spanish banks play to help us exit this crisis?

Without an efficient and solvent financial system we won't be able to finance the economy and it won't be able to grow properly. Before we can speak of recovery, the financial system must return to normal. That's why it's important that those financial entities who need to, make use of the FROB (Spanish fund for ordered bank restructuring) within the timeframe set by Brussels, to recapitalise and help them return to normality.

What would be the repercussions of downgrading Spain's debt rating?

This isn't something we're contemplating at the moment. In any case, a downgrade would mean tighter conditions to access financing, both in terms of price and quantity.

Do you think the Spanish job market will pick up in 2010?

As we all know, unemployment is the result of an evolving active population and employment. The recent surge in the active population has now lessened, therefore, increased employment should mean a reduction in unemployment

“Unless there are changes in the active population, employment will only start to grow at the end of the year, meaning unemployment is unlikely to fall until 2011”

helping to reactivate internal consumption. The boost social policies have provided to the public sector has prevented consumption from falling any further. The same can be said for infrastructure spending. However, I don't think

figures. Also, as we well know, a certain level of GDP growth is also needed to create new jobs. If growth in the first half of the year remains very low, realistically-speaking, unless there are changes in the active population,

"Calls for protectionist measures are often heard during a crisis such as the current one, so, even though it's important for the DDR to succeed, it is also vital that we don't move backwards"

employment will only start to grow at the end of the year, meaning unemployment is unlikely to fall until 2011.

Where is Spain heading?

That's a very general question but I do believe that the European Union has been particularly hit by the crisis, as was the US. The crisis will affect the current balance; we must play within our European framework. However, we must also introduce much-needed reforms which, even though they won't be popular, as we've seen in the past, will allow us to emerge from crisis stronger or at least in the same situation as before it started.

What can we expect from the Doha Development Round?

Any advances in this area will be positive for trade and therefore worldwide growth. Unfortunately, references to Doha have become commonplace in the conclusions of any international meeting but we see no clear commitment to progressing with these talks. Calls for protectionist measures are often heard during a crisis such as the current one, so, even though it's important for the DDR to succeed, it is also vital that we don't move backwards. This is precisely what happened after the 1929 crisis and it had a negative impact on worldwide growth.

Based on your experience as both Agriculture and Finance Minister, how do you see the future of the Spanish olive oil sector?

Given its characteristics, olive oil is a high-quality product in the vegetable oils market. Logically, demand should grow both in the medium and long term and if we're able to produce the oils competitively and ensure that consumers are able to differentiate these from other vegetable oils due to their unique qualities, then we're looking at a bright future for olive oil.

"Olive oil is a high quality product in the vegetable oils market and demand should grow both in the medium and long term"

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Strong Performance by Olive Oil Exports

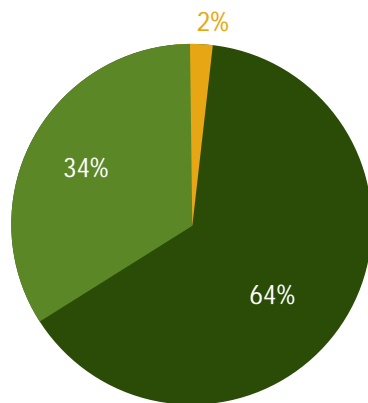
Exports of Spanish olive oil in the 2008/2009 crop year totalled 659,068 tonnes, just 6,000 shy of the 2007/2008 record of 665,100 tonnes. This is extremely positive news especially given the current economic climate and with the financial crisis affecting not only the Spanish market but the whole world, with trade down 18-20%. We must also remember that the euro exchange rate has been very high, especially against the dollar, which has harmed exports or done little to encourage trade.

Looking at the figures we can see that Spanish olive oil exports have remained strong over the past three crop years. In the 2006/2007 campaign 612,100 tonnes were exported, in 2007/2008 this rose to 665,100 tonnes and in 2008/2009, despite the harsh economic backdrop, this figure stood at 659,000 tonnes. These amounts mean that in the majority of these crop years exports have been slightly higher than Spanish output and well above consumption here.

Meanwhile, according to the figures available, olive oil imports have not risen in recent years, implying that olive oil consumption has not increased. In fact, consumption seems to have stagnated at high levels while previous crop years enjoyed sustained growth. The positive news is that exports of Spanish olive oils continue to grow while the global market has not. Therefore our oils are gaining market share compared to other producer countries.

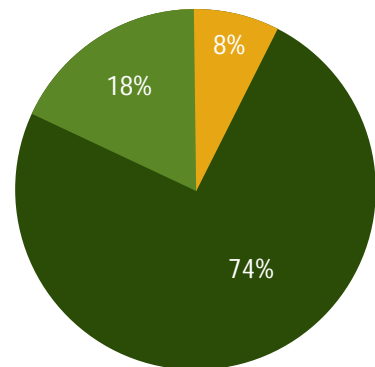
Of particular note is that during the 2008/2009 crop year, Spanish exports to Australia, the US and Japan, key markets, rose sharply - over 40% in the first two markets and over 25% in Japan.

Olive Oil Exports to non-EU Countries



Total: 149,248 Tons

Olive Oil Exports to EU Countries



Total: 509,820 Tons

■ Lampante Virgin ■ Extra Virgin ■ Olive

Of the 659,068 tonnes exported in that period, 72%, or 472,664 tonnes, corresponded to "extra virgin" or "virgin" oils; "olive oil" or "refined olive oil" accounted for 144,425 tonnes or 22% of total exports, while the remaining 6%, 41,979 tonnes, was "lampante virgin" oil.

The main recipient of these oils was the EU, with 509,820 tonnes exported in the period: 74%, or 377,320 tonnes, corresponded to "extra virgin" or "virgin" oils; "olive oil" or "refined olive oil" accounted for 93,299 tonnes or 18% of total exports, while the remaining 8% (39,201 tonnes) was "lampante virgin" oil.

This leaves 149,248 tonnes exported to non-EU countries which can be broken down as follows: 64% of the total comprised "extra virgin" oil (95,344 tonnes); some 51,126 tonnes, or 34% of the total was "olive oil" or "refined olive oil", while the remaining 2% (2,778 tonnes) was "lampante virgin" oil.

"The positive news is that exports of Spanish olive oils continue to grow while the global market has not. Therefore, our oils are gaining market share"

Olive Oil Exports *



live oil exports by ASOLIVA companies in the 2008/2009 crop year (November to October) were down 7.73% to 283,700.76 tonnes compared to 307,484.34 tonnes the previous year.

Even though bottled oil exports (in containers of less than five litres) rose 6.48% to 123,453.12 tonnes, compared to 115,936.85 tonnes the previous year, bulk exports (in containers of over five litres) shrank 16.34% to 160,247.64 tonnes versus 191,547.49 tonnes the previous crop year.

Of the total exports from ASOLIVA companies, bottled oils accounted for 123,453.12 tonnes, of which 76,503.29 tonnes were "extra virgin" oil or 61.97%

of the total exported in containers of less than five litres.

More specifically, bottled oil exports to EU countries totalled 47,133.26 tonnes, 3.68% higher than the previous year's figure of 45,459.43 tonnes. Exports to non-EU countries advanced 8.29% to 76,319.87 tonnes compared to 70,477.43 tonnes in 2007/2008.

Meanwhile, bulk olive oil exports to EU countries declined 18.76% to 124,444.62 tonnes while the total for the previous year was 153,172.21 tonnes. The decline in sales to non-EU countries was less (-6.70%) with a total of 38,375.28 tonnes compared to 35,803.02 tonnes in the 2007/2008 campaign.

Broken down by destination, olive oil exports to EU countries contracted 13.62% (171,577.87 tonnes compared to a total of 198,631.64 tonnes in the previous crop year). Exports to non-EU countries, however, enjoyed a 3% rise, totalling 112,122.89 tonnes versus the prior year figure of 108,852.71 tonnes.

According to the data published by the Customs Department, Spain's exports during the 2008/2009 campaign totalled 659,070 tonnes, which means a 0.92% decrease over the 665,100 tonnes exported during the previous campaign.

Comparison of Olive Oil Exports during the 2007/2008 and 2008/2009 Crop Years, and 2008/2009*

Figures in tonnes

Month/Year	Under 5 litres			Over 5 litres			Total		
	UE	3 rd Countries	Total	UE	3 rd Countries	Total	UE	3 rd Countries	Total
11-12/2007	8,236	11,926	20,163	23,222	6,976	30,198	31,459	18,902	50,361
01-10/2008	37,223	58,551	95,774	129,950	31,399	161,349	167,173	89,951	257,124
T. Crop Year	45,459	70,477	115,937	153,172	38,375	191,547	198,632	108,853	307,485

Month/Year	Under 5 litres			Over 5 litres			Total		
	UE	3 rd Countries	Total	UE	3 rd Countries	Total	UE	3 rd Countries	Total
11-12/2008	8,141	9,992	18,133	20,967	5,165	26,132	29,108	15,156	44,264
01-10/2009	38,992	66,328	105,321	103,477	30,638	134,116	142,470	96,967	239,436
T. Crop Year	47,133	76,320	123,454	124,444	35,803	160,248	171,578	112,123	283,700

% T. Crop Year	3.68	8.29	6.48	(18.76)	(6.70)	(16.34)	(13.62)	3.00	(7.73)
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* excluding the Canary Islands, Ceuta, Melilla and olive pomace oil.

Overseas Promotion of Olive Oil

In 2009 we saw the start of a new phase of collaboration aimed at developing generic promotional campaigns for Spanish olive oil. ASOLIVA and ICEX have been working together to promote Spanish olive oil since 1995 but their efforts have received a welcome boost with the addition of Interprofesional and EXTENDA. Our budget has risen to €1,665,000 and we have rolled out promotional activities to a total of ten countries. Ukraine, Poland, the Czech Republic and Mexico have all been added to the list which already included the US, Brazil, Russia, China, India and Australia.

In the **US** we took part in various keynote gastronomy events to publicise the benefits of Spanish olive oil and to position our product as a high-quality and healthy food such as the "Beyond Extra Virgin 2009" conference in Napa Valley (California), the "Star Chefs" conference in New York and the annual Culinary Institute of America event. We also organised the "Olive Oil Maker Dinners" presentations in Seattle and Chicago.

Activities in **Mexico** focused on point-of-sale promotions with a tour of 12 restaurants and gourmet shops in Mexico City over six consecutive weekends as well as organising a seminar and a tasting session of Spanish olive oils. The presentation of our website, along with the appointment of Plácido Domingo as Honorary Ambassador for Spanish Olive Oil, were also a resounding success.

Our activities in **Brazil** focused on promotions at points of sale, mainly in upmarket supermarkets, and participation in prestigious forums such as "Grandes Chefs" of São Paulo and

"Mesa Tendencias 2009". We also took part in conferences aimed at restaurant professionals in Salvador de Bahía and Brasilia and updated our website.

Elsewhere, activities in **India and China** were largely aimed at portraying Spanish olive oil as a healthy food and instructing potential consumers as to its various gastronomic possibilities and uses. We organised tastings and demonstrations in gyms and supermarket promotions as well as cooking workshops in community centres in various cities: Beijing, Shanghai, Hangzhou, Tianjín, New Delhi, Bombay and Bangalore. Various cooking programmes were also shown on Chinese television and we launched our website there.

Australia is one of the oldest markets in terms of promotional activities and in 2009 our far-reaching campaign continued. We were present at a number of gastronomy events such as "The good food and wine show", in Sydney and Melbourne, the "La Mirada" festival and "The food show", in this case in Auckland, New Zealand. We also sponsored a city lights sign in the centre of Sydney and Melbourne and boosted our online presence through our website, blogs, facebook, etc.

Our **Russian** campaign kicked off with a presentation at the "Doce Uvas" Spanish restaurant in Moscow for the county's leading distributors, restaurant owners and specialist journalists. We also filmed "Zagranizhnie Shtuchki" in Spain for the Russian television channel Domashn. This programme explained the entire olive oil production process, its cooking uses and how it can be used for oleo therapy. We also organised various point-of-sale promotional activities, an advertising campaign in specialist

media and our Russian-language website.

We organised promotional events for the first time ever in **Ukraine, Poland and the Czech Republic** following a similar strategy, ie publicising the health properties of olive oil and bolstering Spain's image as the world's leading producer and exporter, thereby guaranteeing quality.

We ran various advertising campaigns in cities across Poland (Warsaw, Krakow, Gdansk, Sopot and Gdynia), the Czech Republic (Brno, Hradec Kralové, Ostrava, Plzen, Ceske Budejovice and Prague) and Ukraine (Kiev, Odesa, Kharkov, Dnipropetrovsk, Lvov and Zaporozhie), which were presented to the specialist press at a number of local events. We also ran online campaigns and point-of-sale promotions in Ukraine and produced promotional material in Poland whilst also launching our Czech- and Polish-language websites.

Outside of these ten key markets we arranged one-off events such as the III Seminar-tasting in Guatemala City with visitors from five Central American countries, as well as Guatemala, in attendance, while Vienna hosted a seminar on Spanish olive oil. We also updated our websites in France and Japan.

For the 2010 promotional campaign we have been joined by a new partner, the Instituto de Promoción Exterior de Castilla-La Mancha (the Foreign Trade Promotion Institute of Castille-La Mancha or IPEX). Our initiatives will focus on the same ten markets as the previous generic campaign to provide continuity to the efforts aimed at promoting Spanish olive oil.

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