

# CEPI Brief N° 4

## Strategic positioning study of the olive oil branch

### FOREWORD

Olive cultivation constitutes a strategic position within the Tunisian agricultural sector, representing 1.6 million hectares under cultivation (30 % of agricultural land area) and counting an estimated 56 million olive trees. Oil olives production is dependent upon climatic conditions and is a traditional agricultural activity in Tunisia.

### NATIONAL SITUATION

The branch is composed of around 1 440 processing units and 250 000 olive producers. Production is divided between the South (54 %), the Central (29 %) and the North (17 %) regions of Tunisia, while oil processing units are located for the most part in Central (46 %) and Southern (40 %) Tunisia. Total triturating capacity is composed of traditional systems (42 %), super presses (27 %) and continuous in-line processing (31 %).

Investment realized during the period 1993-1998 is estimated at 14.5 M TND/yr., which was essentially for the creation of new olive oil processing units (6.6 M TND/yr), the modernization of existing olive oil processing units (3.5 M TND/yr) and the extraction of oil from olive pits (2.2 M TND/yr).

There are 24 olive oil packaging units that represent an estimated capacity of 15 000 tons. Local consumption of olive oil is estimated at 53 000 tons per year. Olive oil exports represent just 4 % of total Tunisian exports and 44 % of exports of the food processing sector in Tunisia. Over 96 % of Tunisian olive oil exports are to Italy and Spain.

Since 1994, the collection and exporting of olive oil has been regulated and liberalized.

### INTERNATIONAL SITUATION

World production is estimated at 2 million tons per year. The Mediterranean countries supply 98 % and consume 94 % of world production. Olive oil is rare and represents around 4 % of the edible oils market. The world leaders in olive oil in descending order are:

- Spain, which produces 660 000 tons, exports 250 000 T/yr and imports on average 77 000 T/yr.
- Italy, which produces on average 500 000 T/yr and is the premier importer of olive oil in the world, importing 307 000 T/yr. and the second exporter worldwide, exporting 156 000 T/yr.
- Greece, the third ranking with production of 360 000 T/yr, exports of 145 000 T/yr and imports of just 9 000 T/yr.
- Tunisia is fourth ranking with production of 157 000 T/yr, exporting over 70 % of its production. Tunisia does not import olive oil. Compared to the net cost relative to other vegetable oils, olive oil is higher by 2.5. In Europe, there are a number of major certified origin commercial brands: 12 in Spain, 12 in Italy and 27 in Greece.

### INTERNATIONAL COMPARISON

Comparative Benchmarking analysis of the sector in Tunisia with the reference group of the major producing countries, with the addition of Turkey, has resulted in the following observations:

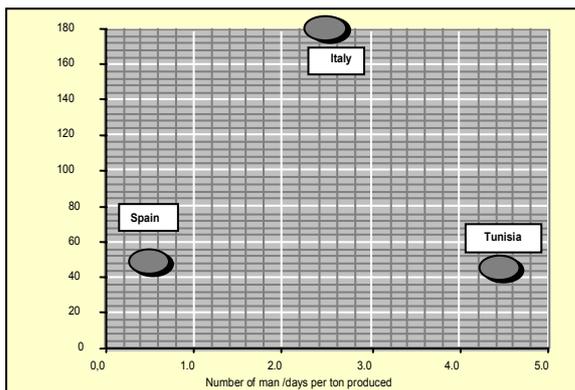
- Tunisia has an elevated export/production ratio (71 %) versus 38 % for Spain and 33 % for Italy.
- The export of packaged Tunisian olive oil is very low, representing 2 % of exports, versus 65 % for Italy, 45% for Spain and 40 % for Greece.
- In terms of quality produced, 75% of European Union production is extra virgin oil while the level in Tunisia is around 25% to 30% of total production.
- Oil processing units in Tunisia do not have control analysis laboratories. Only the ONH (National olive oil office) has a fully equipped laboratory, while in Spain there is one central laboratory for each 10 oil processing units.
- The harvest campaign in Tunisia is 90 days versus 60 days in Europe. The wait for olives before triturating is 6 days on average in Tunisia, versus a delay of 2.5 days in Spain and in Italy.

In terms of training for key oil processing professionals (production unit chief, taster, mechanic) as is the situation for mechanized olive harvesting, these are relatively non-existent in Tunisia.

Production costs in Tunisia represent two thirds of the costs in Spain, but the competitiveness of Tunisia varies according to the production stage :

- Tunisian costs for olive cultivation and related activities are 50 % higher than for the Spanish, (601 USD per ton of oil in Tunisia versus 409 USD/T in Spain) ;
- Olive cultivation in Tunisia utilizes very little fertilizers and manure, representing a cost in Tunisia of 23 USD/T of oil versus 166 USD/T in Spain;
- The cost for triturating is competitive in Tunisia: 45 USD/T of oil versus 48 USD/T in Spain and 180 USD/T in Italy.

#### Positioning in terms of production costs



Due to the absence of a leading name brand, a quality and controlled origin trade name, Tunisian olive oil remains relatively unknown and unrecognized on the world market.

#### OBJECTIVES 2004

- To increase production of extra virgin olive oil to 50% of total output, contra a current level of 25 %.
- To increase the capacity of continuous production line processing from 31% to 50% (increasing from current output of 6 450 T/day to 14 300 T/day in 2004).
- To increase the level of olive oil packaging from 3% to 25%.
- Create a quality label and 5 controlled certified origin labels.
- Additional capacity to install is estimated at 75 new olive oil processing units and the renovation and modernization of 100 existing units.

- To create ten analysis laboratories.

#### LUCRATIVE NICHEs AND MARKETs

The conquest of new niches and markets is relative to the production of quality olive oil, the establishment of a quality label, the launching of controlled certified origin labeling and the valorization of olive oil by-products.

In addition to the United States, which is a major olive oil consumer and a non-producer, new consumer markets are developing, including: Canada, Australia, Japan, Gulf countries, and Nordic countries, etc.).

#### ACTIONS TO BE UNDERTAKEN

##### ➤ Actions within the enterprises

- Upgrading studies for the modernization of 100 olive oil processing units by 2004.
- Conversion of traditional olive oil processing units, the installation of new continuous in-line processing units and virgin olive oil packaging units.
- Creation of control and analysis laboratories.

##### ➤ Institutional Measures

- Launching of campaigns for promoting HACCP method quality control for olive oil processing units and for creating awareness about good practices in olive oil processing and the cultivation of olives.
- Furthermore differentiate between olive oil quality at the level of price intervention.
- The creation of laboratories whose establishment is among activities that can benefit from incentives and advantages under the fund FO-PRODI.
- The creation of a quality label at the national level.

##### ➤ Promotional Actions

- Program actions to increase knowledge about standards and good practices in the cultivation of olives and in olive oil processing.
- Institute the organizing of an international fair for olive oil in Tunisia, in a first step in conjunction with the "Agro-Leader" trade fair.

##### ➤ Enterprise Creation and Partnerships:

- Two project files to be promoted.
- A list of potential European partners.