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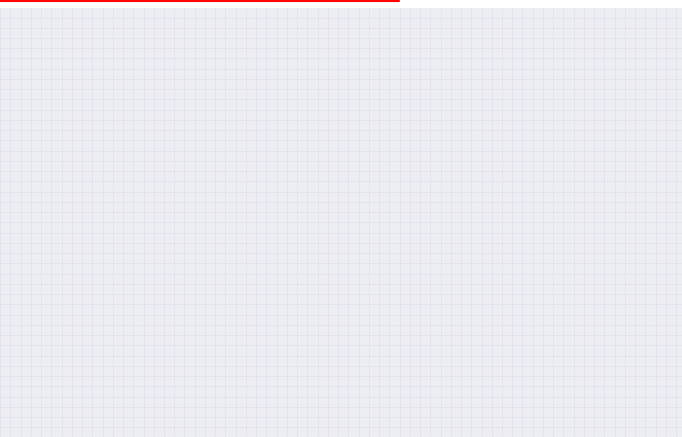


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Executive Summary and Key Findings

Market Size – Supply and Consumption

Outside of Europe, North Americans represent the largest consumers of table olives and olive oil globally.

In 2009, consumers in the US and Canada used nearly 3.3 million hectolitres of olive oil, and ate over 218,000 tonnes of table olives. This compares to 2.8 million hectolitres of olive oil and 238,000 tonnes of table olives in 2004. Over that five year period, both countries have seen steady increases in olive oil consumption, particularly in retail, as opposed to foodservice, but despite the Canadian table olive market remaining relatively steady, there has been a steady decline in the volume of table olives consumed in the USA, resulting in an overall market contraction.

Indeed, the US market for table olives is forecast to continue to decline up until 2013, with overall consumption of table olives having fallen in North America to 207,000 tonnes by the end of that year. Conversely, olive oil will continue to grow strongly, with growth expected to continue to outpace the overall growth of the food market in North America, reaching over 3.6 million hectolitres over the same period.

With regards to olive oil, in both the USA and Canada, forecast volume growth and revenue growth between 2010 and 2013 will come from retail. Of the forecast 374,000 hectolitre increase in overall volumes during this period, 203,000 hectolitres, or 54.2 per cent, of the growth will come from retail sales. Similarly, retail sales growth will bring about higher prices for growers and distributors, and therefore by definition better profit margins.

As such, additional marketing activities sponsored by the International Olive Council should be focussed at driving growth through retail, a channel at this juncture of market evolution which can be more directly influenced through promotional and marketing activities, compared to foodservice, where much of the oils market in total is effectively beyond the reach of olive oil.

There are distinct differences between the USA and Canada when it comes to table olive consumption from both a cultural and perception perspective. This is reflected by the fact that the US market is in a steady state of decline, whilst the Canadian market is continuing to grow at a slow but steady pace. Overall, however, the North American market will have contracted by 31,000 tonnes by 2013 compared with 2004, with the bulk of this decline being directly attributable to the decline in production among US table olive growers.

As with olive oil, additional marketing activities sponsored by the International Olive Council should also be focussed towards driving growth through retail. The dynamics of the foodservice market in the USA are such that it will be difficult to do more than arrest the declines being seen in consumption, as the over arching convenience trends being seen are only likely to continue for the foreseeable future. In Canada, the more traditional nature of the market also means that volumes will continue to grow in foodservice.

However, in retail, the consumer can be more directly influenced and as table olive volume declines in the USA are slowing, there exists an opportunity to arrest the decline in volumes with well targeted messaging and promotion. Similarly, in Canada, greater volume increases than currently forecast can also be driven via a similar campaign.

Market Structure – Supply Chain

The supply chain dynamics for imported olive oil and table olives do not differ greatly between the USA and Canada. However, there is an added level of complexity in the USA when it comes to domestic supply.

In 2009, there were over 3.4 million hectolitres of olive oil imported into North America, as well as nearly 142,000 tonnes of table olives for consumption. In addition, a further 26,000 hectolitres of olive oil were produced in the USA and nearly 57,000 tonnes of table olives.

By 2013, it is forecast there will be some relatively significant shifts in these supply balances. In that year, nearly 3.6 million hectolitres of olive oil will be imported into the USA and Canada, representing a 4.6% increase in volume over 2009, but only 131,000 tonnes of table olives will be imported, an effective decrease of 7.5%. However, there will be a major change in the structure of the US domestic olive industry, with the emphasis and focus being placed increasingly on the production of olive oil compared to table olives. Olive oil production will increase to 145,000 hectolitres, nearly a six fold change compared with 2009, whilst conversely table olive output will also increase to 77,000 tonnes, a notional increase on 2009, but actually representative of an overall declining trend in the US table olive market, which will continue to see a slow and steady reduction in output compared to its 2006 production peak of over 116,000 tonnes.

The supply chain for olive oil in the USA and Canada is effectively at a crossroads. US domestic producers are presently not of sufficient size or scale to embrace significant supply chain efficiencies, with the exception of California Olive Ranch, and therefore will continue for the foreseeable future to be niche, artisanal producers, or conversely their business will evolve into being solely suppliers of olives for the major Californian mills.

However, the biggest change that is likely to effect the industry will come from the consolidation of supply from companies such as Hojiblanca in ready bottled formats to major retail chains or to wholesalers with national distribution infrastructures. The cost effectiveness and sheer scale of these operations will place increasing pressure on the traditional US and Canadian olive oil import and processing industry, potentially resulting in a consolidation of distribution points in both countries.

The key outcome of this change will be that olive oil will become more affordable for US consumers relative to the price points of other cooking oils, with the trade off that there will possibly be less brand choice available, making it more difficult for small producers globally to gain access to the market with any scale.

In order to take full advantage of these changes, the International Olive Council needs to ensure that consumer confusion about the origins, the varieties and benefits of olive oil is mitigated so as to create a market in the USA and Canada where there is a clear understanding of the benefits and differences between the multitude of different types of olive oil. Without this there is a danger that olive oil may become commoditised, and whereas the implied changes in supply chain dynamics can be positive for the industry and for growers, if consumers can see no benefits in using olive oil over and above other cooking oils, the focus will become one that is purely price driven.

The key difference between the supply chain for table olives in the USA and Canada and between that for olive oil is the fact that the domestic USA industry is no longer in a position of strength to be able to invest

and promote in the growth of its product and output. With growers leaving the industry due to poor profit outcomes, other stakeholders in the local industry are being forced to adjust their business models in order to absorb greater volumes of imported olives. This means that from a promotion and marketing perspective the real emphasis rests with processors and canners, and their brands, to further develop the US and Canadian table olive industry – as opposed to local growers – particularly when it is considered that the Californian table olive industry appears to be past its prime, and that the domestic market for table olives in the USA is in decline.

For the International Olive Council, this would imply that promotion of table olive consumption should not be a high priority in the formulation and development of any activity to drive overall olive consumption in the USA and Canada, as support from industry players due to declining revenues may be difficult to secure. However, more importantly, from a volume perspective, a strong focus on olive oil will also ensure that greater volumes of olives overall are utilised and sold – whether that be from imported olive oil production, or increasingly from local olive oil production.

Retail and Competitive Landscape – Olive Oil

The retail landscape for fats, oils and spreads in both the USA and Canada is extremely competitive, with both countries having dominant locally produced alternatives to olive oil.

In 2009, retail consumers in the US and Canada spent nearly \$10.2 billion on the fats, oils and spreads, made up of nearly 1.3 billion tonnes of solid and spreadable fats, and 1.4 billion litres of oils. Olive oil accounted for nearly 8.0% of total oil sales by volume, and 11.3% of total fats, oils and spreads sales by value across the two countries. Impressively, for what is by and large an imported product, in competition with other protected crops grown locally and supported heavily by grower associations and government lobbyists, olive oil whilst only being the fourth most consumed oil in volume terms, will be the number one oil consumed in value terms on present forecasts by the end of 2010. Indeed, the growth in the consumption of olive oil has been over double that of any other fat, oil or spread product over the period 2004-2008, with annual average value growth rates approaching 13.0%, compared to a category average of 3.4%.

The good news for the olive oil industry, is that both value and volume growth will continue to outstrip that of all other fats, oils and spreads up to 2013, with average value increases expected to be 7.8%, and volume growth 3.9%. This compares to overall industry value growth of only 3.7%, highlighting that consumers understand the health benefits associated with olive oil and are increasingly willing to pay premiums to achieve those benefits.

However, despite this positive outlook and despite its inherent natural benefits when compared to other spreadable fats and shortening products, olive oil can not expect to continue to take share of the US or Canadian market from other products based on the assumption that consumers will miraculously continue to switch products and brands, and without the expectation that incumbent brands will continue to innovate and adapt their messages to satisfy consumer need states. It can only be expected that other spreads and fats will continue to evolve their products and adopt more aggressive market behaviours over the next few years in order to protect brand and company shares, making it more difficult for olive oil to gain penetration in secondary usage applications in particular. Olive oil accordingly needs to ensure that its messages are at the forefront of consumer thinking and are constantly evolved to resonate with consumer need states.

Accordingly, the real battleground for share of the cooking oil market in North America based on the long-term health benefits of the products available will be between canola oil and olive oil. Because of the embedded presence of canola in both Canada and the USA, and the health claims that canola can make to rival olive oil, it will be extremely difficult for olive oil producers to be able to secure retail volume growth at the expense of canola oil.

The opportunity for olive oil volume growth will largely have to come from encouraging users of less healthy oil products, such as soy oil to switch to olive oil instead of switching to canola. This represented 391 million litres of oil in 2009 across the North American market. However, it is the US retail consumer that provides the greatest potential for growth, with 52% of the average US household's usage of cooking oils being available for conversion. With usage of olive oil per capita being only a quarter of Australian levels, and less than half UK levels in the USA, the key opportunity for the International Olive Council lies in encouraging US consumers to incrementally increase their usage of olive oil beyond existing levels – a rise in consumption of 200 millilitres per annum would grow the size of the olive oil market by 614,000 hectolitres – equivalent to 63% of the total retail market in 2009. As such, any North American marketing activities should focus primarily on the US consumer first, with increases in Canadian volumes being treated as almost being incremental. The added benefit of such an approach will be that the growth of the olive oil market domestically in the USA will encourage the development of the local olive oil industry in California, and will also ensure that within the bounds of the overall competitive market for cooking oils that a price premium is maintained for imported olive oil too.

As with wine however in the 1970s and the 1980s, there is no cultural heritage of olive oil consumption in the USA and Canada, except among the French community in Quebec. As such, knowledge of olive oil, its varieties, flavours and uses is at best limited among US and Canadian consumers. It could also be reasonably assumed that even those consumers who claim to have knowledge of the category are probably to a certain extent misinformed.

With a growing number of US and Canadian consumers changing to olive oil because of its acknowledged health benefits, it is vital that if consumption of olive oil is to increase and if olive oil is to be used in a wider variety of applications in the home, that consumer knowledge of the category is improved. This will encourage consumers to trade-up and will ensure that the correct benefit is derived from their olive oil choice and selection – ensuring that purchases are not limited solely to a brand and flavour combination, and therefore less likely to be subject to price cannibalisation as cheaper products and private label attempt to increase their share of a growing category.

The lack of an authoritative voice that can guide and educate consumers is a void that the International Olive Council needs to fix, but any such communication directly to consumers can only be conducted in tandem with producers, manufacturers and wholesalers in order to ensure that there is commonality of message and a standard that consumers can reference when judging the merits of which olive oil they should buy. The most effective way of communicating this information would be through a dedicated North American olive oil website and an in-store pamphlet campaign that reaches consumers in an unbiased and un-brand specific manner, preferably supported and by leading brands and producers in the market.

If this can not be achieved, then the olive industry will potentially make the same mistakes as the wine industry. Despite the relative success of the wine industry to secure and drive volumes, since the 1970s, particularly due to the development of a strong local industry, sales continue to be lost, particularly by European suppliers to the market, as many French, Italian and Spanish producers and brands refuse to comply with labelling and branding norms needed to succeed in the USA and Canada. Given the competition from other cooking oils this is a mistake that the olive oil industry can not afford to make.

As such the olive oil industry needs to be mindful of the mantra for much of the fast moving consumer products industry, which is innovate or die. This is something that the olive oil industry can not ignore, in spite of the fact that the core product seemingly has irrefutable benefits and advantages to consumers. Consumer and shopper purchasing decisions are influenced by a variety of often competing and conflicting trends and as such it is important that olive oil endeavours to satisfy as many of these trends as possible in terms of packaging, flavour, convenience as well as health. As such, the olive oil category must look to leverage the influences and drivers of behaviour in a manner that keeps the category alive and relevant to consumers in order to avoid commoditisation and ensures that price premiums, as the category goes mass, are maintained and justifiable. This can be achieved by ensuring consistency and clarity of messaging, as outlined above and also through ensuring that product offerings, particularly at the higher end of the category are innovative and of continuous appeal to pioneer and early adopters, who by definition are always looking to seek out new and sensory experiences.

While the International Olive Council can not directly influence or impact the new product development strategies of olive oil producers, it can use tools such as sections of a consumer focussed information website (including sponsored links), category influencers (such as high profile chefs) and social media sites to raise awareness of new drivers across the category in order to keep the category alive and to ensure that product relevance is maintained. Uniquely, among cooking oils, olive oil is able to highlight these points of difference and straddle the divide between indulgence, luxury and practical application.

Foodservice Landscape – Olive Oil

The foodservice market, while being significantly larger than the retail market, due to the predominance of US consumer out-of-home dining occasions, does not provide the opportunities offered by retail consumption in either the USA or Canada.

In 2009, the foodservice market in the US and Canada for olive oil was worth \$742 million at operator buying prices (the price that a foodservice establishment pays for the olive oil it receives), while food service establishments used over 2 million hectolitres of olive oil. The USA accounted for 92 per cent of the volume used, and 90 per cent of the value spend. Overall, foodservice absorbed 64% of the olive oil used in North America.

However, volume growth opportunities are not as readily apparent in the foodservice industry as they are in retail – and what opportunities do exist will be far more difficult to influence than in the retail market. This is largely due to the structure of the foodservice industry in North America, and in particular in the USA, which is dominated by quick service and takeaway establishments, which use the majority of the oil they purchase for repeated deep frying at high temperatures – an application for which olive oil is not best suited. An indication of the change in the market dynamic that further supports the assumption that the best target market for olive oil growth is in retail, can be seen by the fact in 2004, foodservice consumption accounted

for nearly 66 per cent of total volumes, a figure which will decline to below 62 per cent by 2013. This shift in the market is taking place before the International Olive Council commences any promotional activities in the USA and Canada, and essentially looks to be irreversible as the effect is driven by the structure of the food service industry overall and is not a factor that olive oil in itself can influence.

Despite the decline in foodservice volumes as a proportion of overall sales, volumes of foodservice olive oil will continue to rise at an average annual rate of two per cent between 2008 and 2013, with nearly 172,000 additional hectolitres being used by 2013 compared with 2009. However, average annual value increases will be well under two per cent, signalling a period of real price decline for operators dependent on foodservice for the bulk of their volume sales.

Olive oil does not have the same applicability and headroom for growth in foodservice that it has in retail and at-home meal preparation and occasions in the USA and Canada. This is because in its traditional market of high-end full service restaurants it is already to a greater or lesser extent the cooking oil of choice. Conversely, it will be very difficult for applications in quick service restaurants to be changed to use olive oil due to reasons of cost and also due to the types of usage for which olive oil is largely unsuitable.

As such the growth areas for olive oil in the foodservice sector will come from the emerging and growing casual dining market, leveraging the growing consumer desire for healthy servings and options, not just in consumer packaged foods, but increasingly on restaurant menus.

It is difficult to change and drive trends in the foodservice industry and as such the International Olive Council should look to explore how it can work within the frameworks of existing initiatives such as the tri-partite association project to increase fresh produce volumes in foodservice, while simultaneously promoting the health benefits and health messages that olive oil can uniquely communicate.

This could involve the creation of a healthy certification programme for participating restaurants, and could involve the training of chefs, particularly in target casual dining establishments about the uses of olive oil in specific types of recipe or formulation.

As with other suggested activities, such a move would allow once again for consistency of messaging to reach consumers, and would also ensure that olive oil is able to maintain its premium status among cooking oils as it would broaden the awareness of consumers in terms of the uses and applications of olive oil – potentially having the double benefit of spurring greater at-home usage as consumers look to further replicate their out-of-home dining experience.

In order to assist in this regard, menu suggestion cards could be provided as point-of-sale materials in retail outlets, referencing restaurants that are participating in the certification programme as well – thereby maximising cross-promotional activities and the associated benefits.

Retail and Competitive Landscape – Table Olives

There is a clear divergence between table olive consumption in the USA compared with table olive consumption in Canada. Whereas, the Canadian table olive market is continuing to grow slowly, the US table olive market is in a steady state of decline.

In 2009, retail consumers in the US and Canada spent nearly \$623 million on table olives, in so doing buying nearly 64,000 tonnes of product. However, volumes across North America have fallen by over 7,000 tonnes since 2004, and are expected to remain at best static compared to current levels when forecast out to 2013. This means that per capita consumption will continue fall by close to 5 per cent over the next five years once population growth is taken into consideration.

The US market, which in 2004 represented 87 per cent of retail consumption in North America is driving the decline in volumes and by 2013 will only have 82 per cent of total consumption – marking a significant variance between typical patterns of Canadian consumption for food and beverage products relative to the USA (with few exceptions across most product categories, the Canadian market is generally 10 per cent of the US market, indicative of the homogenous cultural nature of the two countries in many respects and their respective population sizes and standards of living). Even more alarmingly for suppliers of table olives to the US market, per capita consumption will have decreased by over 22 per cent between 2004 and 2013, while in Canada per consumption over the same period will have increased by 6.2 per cent.

Almost in parallel with the decline in table olive consumption in the USA, there has been a series of harvest failures in the Californian olive industry, resulting in a decline in domestic output, meaning that the domestic table olive industry has not been in a strong position to assist in arresting the seemingly inexorable decrease in volumes, and due to lack of supply has not been able to maintain export volumes to Canada, therefore taking advantage of that country's growing market.

Compared with olive oil there are few positive factors and influencers that are driving the consumption of table olives and therefore the bulk of North American consumption volumes in the USA, and as such the main focus needs to be understanding the occasions and locations of current consumption and ensuring that remaining table olive volumes are stabilised and not lost to substitute products.

Significant changes have taken place in North American retail with regards to how table olives are merchandised and sold over the past twenty years. In part these changes have been driven by overall positive shifts in consumer behaviour, with greater emphasis being placed on fresh, chilled and frozen foods, as well as a desire by consumers to purchase better quality and premium products. The downside is that traditional olive retail formats, such as jars and cans, now appear to be old-fashioned and can increasingly be found in less regularly visited parts of supermarkets, where in order to maximise profitability, shelf-space is dominated by private label offerings.

The trade off for the table olive industry in this change has been greater visibility for the product through olive bars and greater dollar spend among consumers who do consume olives on a regular basis – and hence better returns per kilogram and a market that is growing in value terms. The downside is that overall table olive consumption volumes in the USA are declining and will continue to do so for the foreseeable future. In Canada, the reverse is true and table olive consumption continues to rise as do average prices as consumers indulge in a wider variety and greater selection of olives.

The challenge for the US table olive industry is to work to stabilise consumption volumes in the short term through increased consumption frequency among already converted olive consumers, and to encourage more supermarkets to install olive bars in an attempt to offset the decline in centre aisle sales. In this case, it is the establishment of a business-to-business presence that is critical, and not a focus on the consumer. The International Olive Council can play an active role in working with the US olive industry to build a proposition that can be presented to retailers to encourage the construction of olive bars, and may also consider providing subsidies or similar marketing support to encourage their installation.

There is not a lot that the International Olive Council or indeed table olive producers can do to influence the demographic make up of a country, or indeed the palette of individual consumers. However, the fact that a quarter of accessible table olive consumers across the USA and Canada do not feel inclined to purchase olives for at-home consumption at any point in the year means that the industry is failing to understand and satisfy the key needs of its consumer base. For example, the lack of compelling health messages associated with table olives means that there is little or no incentive for consumers to look to substitute olives for other foods in their diet. Similarly, even if there was an inclination to purchase the fact that olives are not presented or packaged in a way that would encourage or drive consumption in a manner that is conducive with everyday lifestyles, becomes a major barrier for many consumers.

As such promotional activity should be focussed on ensuring, in the first instance, that seasonal consumption occasions are maximised, creating an even greater association between the holiday season and home entertainment occasions and table olives. In so doing, known olive consumers can be targeted at times when they are most likely to purchase, whilst similarly those consumers who do not buy olives for consumption at home will hopefully receive a call to action that will drive incremental sales volumes. Every one per cent of household penetration that can be secured will yield at 2009 levels an additional 1,211 tonnes in sales volumes.

Foodservice Landscape – Table Olives

Similarly to the retail table olive market, the foodservice market in the USA for table olives is in decline, while the Canadian market continues to grow – albeit slowly. Unlike the foodservice market for olive oil however, the consumption drivers for table olives are more difficult to directly influence.

The foodservice market in the USA and Canada for table olives absorbs 72 per cent and 40 per cent of all consumption volumes respectively, representing nearly 149,000 tonnes per annum. However, as with the retail market, volumes are declining in the USA and rising slowly in Canada. The US will lose nearly 11,000 tonnes in volume by 2013, declining at an average annual rate of two per cent per annum, a rate of decline that has remained steady since 2004, when nearly 153,000 tonnes of olives were used in foodservice preparation in the country. Further, the increase in volume in Canada will not compensate for the losses in US consumption as only a further 400 tonnes will be added over the next five years.

Unlike with olive oil there is prima facie no silver bullet that can be used to influence or restore table olive consumption and demand in foodservice, particularly in the USA. The market is evolving in a manner that is not conducive to substantial increases in olive consumption and as such it would require a substantial change in the emerging demographics of the country to reverse many of the declines seen since 2004.

However, there are small opportunities that the industry must grasp if it is to have any chance of stabilising volumes, and potentially over the long term look to reverse declines seen in recent years. The promotion of olives as a healthy snacking alternative to hotel chains and bar chains offers a relatively interesting opportunity, particularly given that barriers to consumption based on health benefits and convenience can be readily and easily overcome.

It is also possible that if convenience packaging can be created and also robust health benefit literature can be produced for olives, that institutional channels such as the school and hospital system could also become viable outlets for table olives in the future – replacing other less healthy products that may currently be on the menu.

Health Claims – Olive Oil and Table Olives

One of the key drivers behind the increase in olive oil consumption in not only the USA and Canada, but also globally in recent years has been the perception that olive oil is truly a “better-for-you” product that can provide health benefits in excess and advance of other cooking oils in particular. However, as shown in the table below, the advantages which olive oil once had are slowly being eroded by other products, particularly canola oil.

Type of Oil > >	Olive	Canola	Smart Balance	Pompeian OlivExtra Plus	Crisco with Omega-3	Mazola Plus!
Health Claim						
High in monounsaturated fat						
≥10% RDV of vitamin E						
Omega-3 ALA						
Enriched with Omega-3 DHA for healthy brain, heart, eyes						
Low Omega-6 to -3 ratio						
Chemical-free milling						
Richest in olive oil's natural antioxidants / polyphenols						
Qualifies for the MedMark seal (Mediterranean Diet)						

Indeed, olive oil is no longer the only oil with a US Food and Drug Administration (FDA) approved heart-health claim, with both canola and corn oils able now to make similar claims.

Effective November, 2004, the US FDA allowed OLIVE oil products to carry the following claim:

*Limited and not conclusive scientific evidence suggests that eating about **2 tablespoons (23 grams)** of olive oil daily may reduce the risk of coronary heart disease due to the **monounsaturated** fat in olive oil. To achieve this possible benefit, olive oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of olive oil.*

Effective in 2007, the US FDA allowed CANOLA oil products to carry the following claim:

*Limited and not conclusive scientific evidence suggests that eating about **1 1/2 tablespoons (19 grams)** of canola oil daily may reduce the risk of coronary heart disease due to the **unsaturated** fat content in canola oil. To achieve this possible benefit, canola oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of canola oil.*

Effective in 2007, the US FDA allowed CORN oil products to carry the following claim:

***Very** limited and preliminary scientific evidence suggests that eating about **1 tablespoon (16 grams)** of corn oil daily may reduce the risk of **heart disease** due to the **unsaturated** fat content in corn oil. FDA concludes that there is little scientific evidence supporting this claim. To achieve this possible benefit, corn oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of corn oil.*

Accordingly, if olive oil is to maintain the price premiums it commands over other cooking oil products, health benefit messaging needs to be clearly differentiated from other products, otherwise consumption growth will slow down and sales opportunities will be lost to canola in particular.

Conversely, whereas, olive oil is seen as being a healthy product to use, table olives have almost the opposite image. For example, 19 per cent of US consumers and 21 per cent of consumers who have eaten olives at home in the past three months stated that their table olive consumption was limited by the fact that olives contain too much sodium. Reduction in salt intake is a major public health message being promoted in both countries currently, and as such consumers are taking pro-active steps to minimise sodium intake – in much the same way as they are looking to avoid bad fats.

Further, the percentage of calories in table olives derived from fat averages between 75 per cent and 90 per cent. This combined with the high sodium levels means that olives do not count towards the recommended “5 a day” servings of fruit and vegetables, according to the Food and Nutrition Service of the US Department of Agriculture. In spite of both of these points however, 75 per cent of at home olive consumers in the past three months believe that olives are healthy, despite having no supporting evidence to support this assertion. In contrast, only 55 per cent of non-olive consumers believe the fruit to be healthy.

When olives are compared to other popular snack foods in the USA, such as string cheese or potato chips for example, olives do contain better fats and similar levels of sodium, and as such could be positioned as a reasonable and satisfying alternative. However, without strong claims that can prove the health benefits of table olives, the ability of the US olive industry to be able to robustly defend its position in this regard would be extremely difficult.

Regulatory Environment – Olive Oil and Table Olives**Product Quality**

The major difference between the USA and Canada in terms of regulation of olive oil supply is the fact that the US has not as yet universally adopted the International Olive Council's standard definitions for what classifies olive oil and its varieties. This lack of quality regulation would appear to have had some negative effects in terms of products supplied to US consumers, both by local producers and also by distributors of imported products. For example, given the US consumer's preference for extra virgin olive oil, both domestic and import suppliers have allegedly in some instances been found to be selling oil with an extra virgin olive oil claim, despite it not actually meeting the International Olive Council's definition, and further oil blends have been sold as being 100% olive oil in some cases as well.

As such, the US Department of Agriculture in 2008 issued a draft revision to the US Standards for Grades of Olive Oil, which will conform to International Olive Council standards, with aim that this would take effect in 2010. The adoption of these standards would bring greater regulation to the industry, both from a domestic production perspective and also for imported oil. In anticipation of this national change, a number of states have already passed their own regulations to ensure that products sold already comply with International Olive Council standards. For example, laws in California and Connecticut came into effect in 2009, with New York, Oregon, New Jersey, Rhode Island and Texas expected to follow suit over the course of 2010 and 2011.

In Canada, where guidelines for the sale of olive oil are legislated for by the Food and Drugs Act, and are enforced by the Canadian Food Inspection Agency, regular checks and tests of imported consignments of oil are made to ensure compliance. Penalties for non-compliance are potentially severe, with fines of up to \$225,000 and prison sentences of up to three years being available to the authorities.

Unlike olive oil there are no standards or regulations which are mandated for table olives, other than those that cover all foodstuffs, concerning health regulations and other similar concerns.

Import Restrictions

Despite having a domestic olive oil industry, the duty applicable to olive oil imports is not overly punitive, particularly when production subsidies in the European Union are taken into consideration. For instance, the effective rate of duty per litre, applicable to countries with which the USA does not have a free trade agreement such as Australia and Morocco, for olive oil imported in containers under 18 kilograms is 4.6 cents per litre and 3.15 cents per litre for oil imported in containers over 18 kilograms. By contrast, the effective European Union subsidy is around 75 cents per litre for exports, while US growers do not benefit from any government subsidies themselves.

There is presently no import duties levied in Canada on olive oil imports, although it was mooted back in 2005 to impose a 10% rate of duty on imports as part of a nascent trade dispute with the European Union.

Compared with the olive oil industry, table olive produces are afforded a greater level of protection by US authorities. Depending on the extent of processing, import duties applied to green table olives in brine, range from 3.7 cents per kilogram up to 8.6 cents per kilogram – with more heavily processed olives attracting higher rates. For black olives, the rates range from 9.3 cents per kilogram up to 10.1 cents per kilogram.

There are presently no import duties levied in Canada on table olives.

Country of Origin

In 2009, the US Department of Agriculture issued rules in relation to the country of origin status of perishable agricultural commodities, such as fresh meat and produce. However, these rules did not cover olives, nor did they cover olive oil. As such the only country of origin compliance that applies for exports to the USA is governed by the Tariff Act of 1930 which states that products entering the USA must be labelled with their country of origin and accordingly, in the case of olive oil, must indicate where the oil's olives were sourced from, and not just the country where the olive oil was processed or packaged. However, as this information is usually provided in very small print on labels and packaging, it is quite legitimate for Spanish olive oil, for instance, to be shipped to Italy for packaging, and then exported to the USA and sold as Italian olive oil.

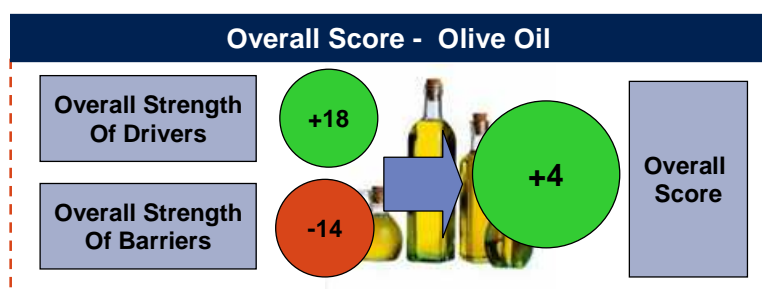
In Canada, the rules are even less transparent. There is no need to indicate the name of the country of origin where the table olives or olive oil was prepared or processed as long as the name of the Canadian importer prefixed by the statement "imported by" or the foreign producer is detailed.

The Mind of the Consumer

No activity happens in consumer markets without the permission of the consumer. As such understanding how consumers relate to given product categories is essential to determining how and where to target marketing expenditure in order to capitalise on the inherent advantages that a product may have against adjacent or competing categories. In this regard, olive oil and table olives are no exceptions.

In order to succinctly assess the key drivers and barriers towards increased consumption for olive oil and table olives, a Harvey Ball ranking system was applied to both categories in order test and understand the levels of resistance towards increased consumption amongst consumers and the influence that increased promotional activities could have on the market.

Driver and Barrier Summary

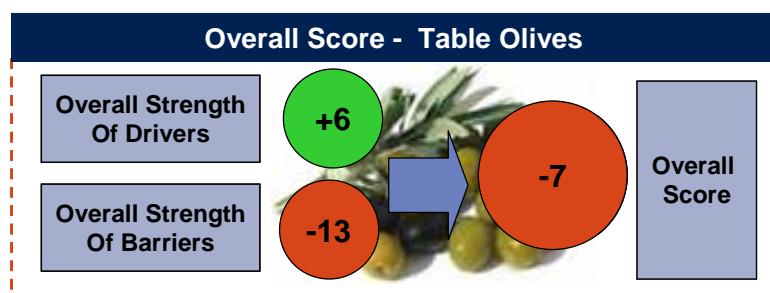


For olive oil, a positive score of +4 highlights the current strength of the olive oil category and why in spite of any additional promotional efforts from the International Olive Council there is sufficient forward momentum in the category to continue to drive strong value and volume sales growth up to 2013.

Encouragingly, there is only one barrier to growth that it will be difficult for the International Olive Council to influence and that is the ongoing decline in at home meal occasions. However, olive oil is not alone in facing

this challenge, as by definition it is a problem that confronts all other fats, oils and spreads to greater or less extents. This is why it is important for the olive oil industry in the short- to medium-term to focus on securing greater volumes from existing olive oil users to the exclusion of other oils – and hence, why it has been identified that driving increased usage among consumers who already understand some of the benefits of olive oil is critical.

Driver and Barrier Summary



A negative score of -7 highlights why the table olive market is declining across North America as a whole, and why the extent of the problems facing the table olive industry, as previously emphasised.

It also underscores why promotional activities for table olives should be linked to those of olive oil as the halo effect of olive oil will ensure that there is a pull through effect into the table olive category. However, this does need to be carefully managed as the negative perceptions around table olives from a health perspective and also from a taste perspective need to be controlled in order not to jaundice the views of potential new olive oil consumers. The International Olive Council needs to ensure that the health benefits of table olives are made more apparent to consumers, as at present this information is clearly lacking in the US and Canadian markets.

As already stated the main area that can be controlled through promotional activities by the International Olive Council is the marketing of table olives for special events and seasonal occasions, actually turning a barrier to increased consumption into a positive message, that will in turn hopefully spur consumers to actually increase the frequency of their olive consumption beyond the obvious target occasions.

Promotional Activities

Taking all of the above into consideration, the following table outlines the key activities which it is recommended that the International Olive Council undertake in order to optimally promote olive oil and table olives in the USA and Canada. The campaign has been designed around addressing the requirement for a single authoritative voice that consumers can trust when it comes to understanding olive oil and table olives, with the emphasis on securing greater volume purchases from existing olive oil and table olive consumers through the substitution of other products that they already have in their kitchens. The primary focus will be on the promotion of retail olive oil sales, as this is where the real volume opportunity lies, however, as the site will be focussed on olive products in general, there will also be opportunities for the enhancement of olive oil's position within foodservice, as well as for the promotion of table olives when the time and opportunity is suitable to do so.

The activities detailed are based upon the timings allowed by the International Olive Council's budget and are based upon the commencement of the promotional campaign in October 2010 to coincide with the traditional North American holiday season.

Fazed Promotional Activities and Associated Costs 2010 and 2010		
Activity	Year 1	Year 2
Creation of website and corporate identity, inclusive of hosting and updating the site.	€367,000	€192,000
Securing of consumer and celebrity endorsements	€123,000	€77,000
PR Launch Event: <ul style="list-style-type: none"> Option 1 (single event): Option 2 (multiple events): 	NIL €185,000	NIL NIL
PR, media and launch event press activities	€77,000	NIL
In-store promotional campaign	NIL	€461,000
National press and lifestyle magazine advertisements	€134,500	€134,500
Search Engine Optimisation	€19,250	€77,000
Banner Advertising	NIL	€115,500
On-going PR Campaigns	NIL	€192,500
Total Expenditure:		
PR Event Option 1:	n/a	n/a
PR Event Option 2:	€905,750	€1,249,500

Market Size – Supply and Consumption

Outside of Europe, North Americans represent the largest consumers of table olives and olive oil globally.

In 2009, consumers in the US and Canada used nearly 3.3 million hectolitres of olive oil, and ate over 218,000 tonnes of table olives. This compares to 2.8 million hectolitres of olive oil and 238,000 tonnes of table olives in 2004. Over that five year period, both countries have seen steady increases in olive oil consumption, particularly in retail, as opposed to foodservice, but despite the Canadian table olive market remaining relatively steady, there has been a steady decline in the volume of table olives consumed in the USA, resulting in an overall market contraction.

Indeed, the US market for table olives is forecast to continue to decline up until 2013, with overall consumption of table olives having fallen in North America to 207,000 tonnes by the end of that year. Conversely, olive oil will continue to grow strongly, with growth expected to continue to outpace the overall growth of the food market in North America, reaching over 3.6 million hectolitres over the same period.

Accordingly, the following section of this report will examine the dynamics of both the US and Canadian markets individually and will highlight the key reasons for the difference in growth rates for both olive oil and table olives in the two countries, and what these differences potentially mean in terms of promotion focus and activity for the International Olive Council.

USA – Olive Oil Supply

In 2009, the USA represented 88.7 per cent of North American olive oil consumption (2.9million hectolitres), compared with 89.3 per cent in 2004, and is forecast to represent 88.5 per cent of consumption in 2013.

Despite having a domestic olive industry, current market supply of olive oil is almost solely based on imports, with only 0.8 per cent of olive oil supply being sourced locally. However, due to the financial attractiveness of oil olives, production is being switched away from other crops, including table olives, towards oil olives, with just over 2,000 new hectares of super high density crops coming on-stream before the end of 2010. As such, it is estimated that by 2013, domestic production will supply 4.4 per cent of the US market, and thereafter will plateau at about 5 per cent of total demand.

However, this increase in domestic production will not in absolute hectolitre terms reduce US reliance on imports. Domestic production will only represent 145,000 hectolitres by 2013, meaning that given supply side growth of 193,000 hectolitres, an additional 119,000 hectolitres will still need to be imported compared to 2009 levels.

It should also be noted that US domestic production, even with the benefits and advent of super high density planting systems and mechanical picking processes, will remain costly compared with traditional import supply nations. As such, any increase in volumes will only be used to service what will remain relatively niche artisanal extra virgin olive oil markets, due to the price premiums that are required to cover high production costs. For instance, in 2009, California bulk olive oil currently returns around \$8.20 per litre to a domestic grower, compared with average CIF import prices of \$2.91 per litre. Whilst, this price differential will narrow by 2013, domestic production will remain almost twice as expensive as imported olive oil.

Table 1: US Olive Oil Supply, 2004 - 2013

Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Domestic Production	Grower	000s, \$US	10,554	17,241	20,945	96,615	13.1%	41.2%
Net Imports for Consumption	CIF	000s, \$US	721,666	1,042,798	892,869	1,098,049	9.6%	1.0%
Volume								
Domestic Production	Produced	hectoliters	11,590	18,930	25,550	144,720	13.0%	50.2%
Net Imports for Consumption	Imported	hectoliters	2,563,850	2,851,970	3,068,280	3,141,980	2.7%	2.0%
Price Per Litre								
Domestic Production	Grower	\$US	\$9.11	\$9.11	\$8.20	\$6.68	0.0%	-6.0%
Net Imports for Consumption	CIF	\$US	\$2.81	\$3.66	\$2.91	\$3.49	6.8%	-0.9%

Source: Datamonitor, United States Department of Agriculture

Italy is the largest supplier of olive oil to the USA. On a CIF value basis, in 2009, it is forecast to represent 59 per cent of the import market, with sales worth \$525 million. However, its share of the market has declined steadily since 2004 when it accounted for 71 per cent of import supply to the USA. Over the same period, Spain has grown its share of the market from 18 per cent to 21 per cent, but combined both of Europe's traditional major growers of oil olives have seen their share of the market decrease from 89 per cent to 80 per cent, as new sources of olive oil globally have come on stream, and thus have challenged the traditional dominance of both countries. For example, Argentine exports of olive oil have grown from 0.5 per cent of supply in 2004, to over 3.0% in 2009, and Australian imports now account for 1.5% of the market as well.

However, the largest growth in imports has been seen from Tunisia, which now accounts for 13.1 per cent of the market, compared with only 5.6 per cent in 2004. More importantly, as imports in value terms to the US actually decreased in 2009, compared with 2008, the fact that Tunisia actually recorded a 3 per cent increase in its export values underlines the inroads the country is making as a cost effective and quality supplier to the market. Its average CIF price of \$266 per hectolitre is 26 per cent lower than the price for Italian olive oil.

Table 2: Leading Exporters of Olive Oil to USA by Volume 2004-2009

		2004	2008	2009	Share of Market 2004	Share of Market 2009
Italy	Hectolitres	1,729,031	1,650,192	1,573,940	67.4%	51.3%
Spain	Hectolitres	452,826	641,556	650,258	17.7%	21.2%
Tunisia	Hectolitres	164,625	305,517	438,372	6.4%	14.3%
Argentina	Hectolitres	12,513	67,219	98,879	0.5%	3.2%
Greece	Hectolitres	36,285	45,443	54,557	1.4%	1.8%
Turkey	Hectolitres	107,731	37,077	80,549	4.2%	2.6%
Other	Hectolitres	60,840	104,966	171,725	2.4%	5.6%
Total	Hectolitres	2,563,850	2,851,970	3,068,280		

Source: Datamonitor, United States Department of Agriculture

Table 3: Leading Exporters of Olive Oil to USA by Value 2004-2009

		2004	2008	2009	Share of Market 2004	Share of Market 2009
Italy	000s, \$US	515,252	665,732	525,728	71.4%	58.9%
Spain	000s, \$US	129,749	229,026	190,067	18.0%	21.3%
Tunisia	000s, \$US	40,070	106,393	116,620	5.6%	13.1%
Argentina	000s, \$US	3,804	23,897	26,410	0.5%	3.0%
Other	000s, \$US	32,791	17,750	34,045	4.5%	3.8%
Total	000s, \$US	721,666	1,042,798	892,869		

Source: Datamonitor, United States Department of Agriculture

USA – Olive Oil Consumption

There are two distinct markets for olive oil in the USA – retail and foodservice.

US consumers spend considerably more on dining out of home than in any other country in the world, with 51 per cent of food dollars being spent at a food service institution (in sharp contrast to Canada where the figure is only 25 per cent). However, this does not necessarily make food service the most natural market fit for olive oil in the USA, and nor does it necessarily mean that the channel should be the main focus for sales volume growth. This is because a large proportion of US food service usage requires repeated deep-frying of relatively low priced foods sold through quick service restaurant chains such as McDonalds and Burger King. This means that given the relatively high price point of olive oil compared to other oil and fat products, that olive oil does not necessarily have a distinct advantage in the foodservice market compared to other products.

Table 4: US Olive Oil Domestic Consumption, 2004-2013

Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Retail	Retail	000s, \$US	587,900	954,700	984,643	1,347,072	12.9%	7.1%
Foodservice	OBP	000s, \$US	586,903	824,758	670,705	869,115	8.9%	1.1%
Volume								
Retail	Retail	Hectolitres	786,000	919,000	983,330	1,150,360	4.0%	4.6%
Foodservice	OBP	Hectolitres	1,736,400	1,878,720	1,916,300	2,074,260	2.0%	2.0%
Price Per Litre								
Retail	Retail	\$US	\$7.48	\$10.39	\$10.01	\$11.71	8.6%	2.4%
Foodservice	OBP	\$US	\$3.38	\$4.39	\$3.50	\$4.19	6.8%	-0.9%
Consumption Per Capita								
Retail		Litres	0.268	0.302	0.320	0.360	3.0%	3.6%
Foodservice		Litres	0.593	0.618	0.624	0.650	1.0%	1.0%
Total		Litres	0.861	0.920	0.944	1.010	1.6%	1.9%

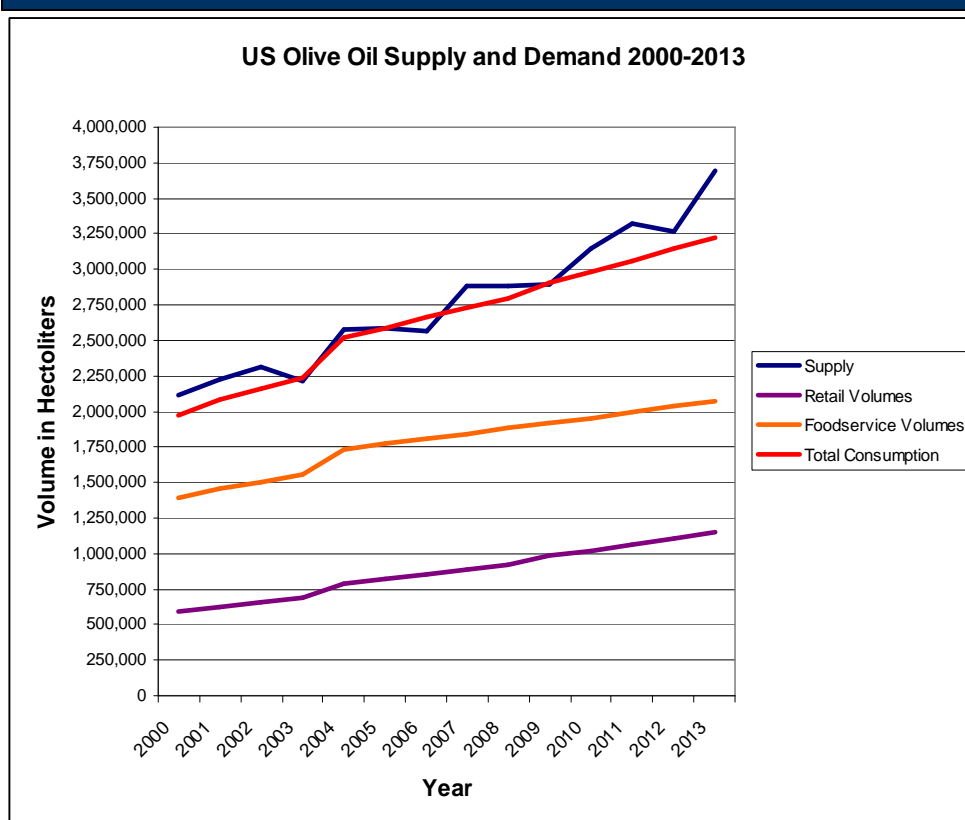
Source: Datamonitor, United States Department of Agriculture

It should be noted however, that in spite of this, two-thirds of all olive oil consumed in the USA is consumed in a food service environment. Indeed, it was the use of olive oil as healthy oil and fat replacements, and the concurrent embracing of the Mediterranean diet by US consumers that initially heightened the awareness of

US consumers to olive oil. However, for the reasons noted above, and elaborated on further later in this report, the volume growth opportunity that can be readily influenced for olive oil in the USA does not rest in foodservice, but through retail sales. Indeed, up to 2013, over 51 per cent of all new consumption volume in the USA will come from retail sales, with average annual growth rates running at 4.6 per cent in retail compared to only 2.0 per cent in food service.

Overall, the USA is the fourth largest market for olive oil globally, but on a per capita basis, across both foodservice and retail, only 940 millilitres of olive oil is consumed. This falls to 320 millilitres of olive oil per capita sourced through retail, and given that olive oil only has a US household penetration rate of 44 per cent, the implication is that each household that currently buys olive oil is only purchasing 1.9 litres annually.

Figure 1: US Olive Oil Supply and Demand 2000-2013



Canada – Olive Oil Supply

In 2009, Canada represented 11.3 per cent of North American olive oil consumption (370,000 hectolitres), compared with 10.7 per cent in 2004, and is forecast to represent 11.5 per cent of consumption in 2013.

Table 5: Canada Olive Oil Supply, 2004-2013								
Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Net Imports for Consumption	CIF	000s, \$US	86,382	157,872	121,267	174,909	16.3%	2.1%
Volume								
Net Imports for Consumption	Imported	Hectolitres	275,980	378,590	334,600	418,430	8.2%	2.0%
Price Per Litre								
Net Imports for Consumption	CIF	\$US	\$3.13	\$4.17	\$3.62	\$4.18	8.2%	2.0%

Source: Datamonitor, Statistics Canada

Canada does not have a domestic olive industry, be that for olive oil or for table olives. It does re-export a small proportion of the olive oil it imports each year though, although this represents much less than one per cent of total volume imports. Despite, the lack of a domestic industry, and given the dominance of the local canola oil lobby, there has been strong growth in the use of olive oil over the past five years in Canada. Indeed, overall consumption rates have grown at nearly twice the rate in Canada (4.7 per cent on average), compared with the USA (2.6 per cent).

As with the USA, Italy is the dominant supplier of olive oil to Canada, accounting for 71.7 per cent of all imports on a CIF value basis in 2009 (estimated to be \$86.9 million in 2009). Italy's share of the market has remained largely unchanged when compared to 2004, when it accounted for 71.0 per cent of the market. Overall supply to Canada has remained relatively constant in terms of country of origin over the past five years, with only Turkey of the top five supplying nations seeing a noticeable decrease in share – down from 10.2 per cent to 3.4 per cent - and as such falling from being the second ranked supplier to the fifth ranked supplier over the period behind Greece, Spain and Tunisia.

Table 6: Leading Exporters of Olive Oil to Canada by Value, 2004-2009						
		2004	2008	2009	Share of Market 2004	Share of Market 2009
Italy	000s, \$US	61,297	100,307	86,947	71.0%	71.7%
Greece	000s, \$US	5,820	11,886	10,898	6.7%	9.0%
Turkey	000s, \$US	8,810	10,163	4,090	10.2%	3.4%
Spain	000s, \$US	4,178	7,338	5,659	4.8%	4.7%
Tunisia	000s, \$US	2,482	4,540	6,335	2.9%	5.2%
Other	000s, \$US	3,795	23,638	7,338	4.4%	6.1%
Total	000s, \$US	86,382	157,872	121,267		

Source: Datamonitor, Statistics Canada

Exports to Canada typically yield higher CIF prices per hectolitre than those of the USA. For example, in 2009, the average price per hectolitre for exports to Canada was \$362 compared with \$291 to the USA. The main reason for this higher yield is due to higher proportion of oil imported for sale into retail compared to foodservice. In 2009, 57 per cent of all Canadian oil imports were destined for retail sale, compared to only

a third of olive oil supply in the USA. This factor goes some way to explaining why Italian olive oil has managed to maintain a dominant position in the Canadian market, as the retail market tends not to be as price sensitive, and more demanding of quality, than the foodservice industry. Accordingly, it also explains why the success of emerging producers such as Tunisia has not been replicated in the Canada.

Canada – Olive Oil Consumption

As with the USA, Canada has two distinct markets for olive oil – retail and foodservice.

However, as referred to above, there is a major difference between the two countries and that is Canadians do not eat out of home anywhere near as much as their US counterparts. Indeed, only 25 per cent of food consumption is out home, compared to 51 per cent in the USA. This is largely because in Canada there are only 2,355 quick service restaurants – one for every 14,000 inhabitants, compared with 222,294 outlets of this type in the USA – or one for every 1,382 inhabitants.

This in turn prima facie means that there is a greater opportunity to increase consumption of olive oil in foodservice in Canada as by definition the remaining foodservice market should have a greater fit with olive oil than in the USA. Indeed, this is seemingly confirmed by the fact that foodservice oil olive consumption per capita is actually nearly 30 per cent lower in Canada than it is currently in the USA. The major caveat with this assertion is that the overall size of the opportunity in Canada is significantly lower in foodservice than it is in the USA, by the pure fact that not only is the Canadian market significantly smaller than the US market, but also due to the inherent lower spend across foodservice as a whole, the ultimate size of the opportunity is much smaller as well.

Despite this, it is foodservice demand that has led olive oil consumption growth since 2004. The foodservice market grew by 6.4 per cent per annum to the end of 2008, as a result of the same consumer trends seen in the USA – consumer attention to a healthier diet, and also the greater proclivity for a Mediterranean diet. However, as with the US, foodservice market growth is expected to slow in the years leading up to 2013, with growth only averaging 2.0 per cent per annum.

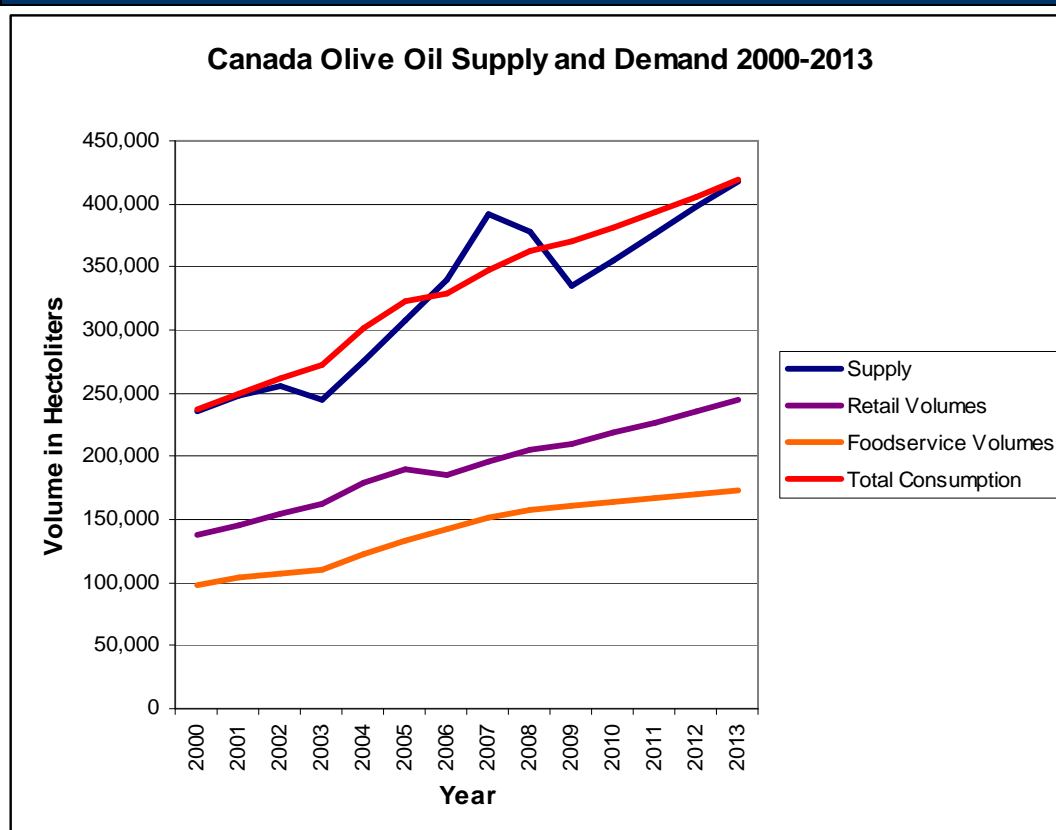
Table 7: Canada Olive Oil Domestic Consumption, 2004-2013								
Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Retail	Retail	000s, \$US	119,707	167,100	164,177	224,688	8.7%	6.1%
Foodservice	OBP	000s, \$US	46,988	80,190	71,125	88,794	14.3%	2.1%
Volume								
Retail	Retail	Hectolitres	178,800	205,060	209,870	245,520	3.5%	3.7%
Foodservice	OBP	Hectolitres	122,610	157,060	160,200	173,410	6.4%	2.0%
Price Per Litre								
Retail	Retail	\$US	\$6.70	\$8.15	\$7.82	\$9.15	8.6%	2.4%
Foodservice	OBP	\$US	\$3.83	\$5.11	\$4.44	\$5.12	6.8%	-0.9%
Consumption Per Capita								
Retail		Litres	0.565	0.625	0.634	0.715	2.6%	2.7%
Foodservice		Litres	0.387	0.478	0.484	0.505	5.4%	1.1%
Total		Litres	0.952	1.103	1.117	1.220	3.8%	2.0%

Source: Datamonitor, Statistics Canada

Volume retail sales growth has been at lower rates than in the USA since 2004, averaging only 3.5 per cent in Canada, compared with 4.0 per cent, and is also expected to grow at a slower rate up to 2013, 3.7 per cent compared to 4.6 per cent. Similarly, value sales growth has also lagged behind the USA since 2004. Indeed, Canadian consumers benefit from significantly lower prices than their US counterparts in retail, with the average price per litre in 2009 in Canada being \$7.82 compared with \$10.01 in the USA. This 28 per cent price differential is not expected to narrow leading up to 2013, and is driven by the fact that US consumers tend towards premium extra virgin olive oil purchases, which in part is seemingly reflective of a better cultural knowledge of olive oil and where and how to use different types of olive oil among Canadian consumers.

It should also be noted that consistently over the past five years nearly 30 per cent of olive oil supply on a CIF value basis has arrived into the province of Quebec, which accounts proportionately for only 23 per cent of Canada's population – highlighting the different culinary history of the province compared to the rest of Canada. Indeed, 94 per cent of French olive oil that was imported into Canada in 2008 was supplied to Quebec further emphasising this difference.

Figure 2: Canada Olive Oil Supply and Demand 2000-2013



KEY INSIGHT – OLIVE OIL SUPPLY AND CONSUMPTION:

In both the USA and Canada, forecast volume growth and revenue growth for olive oil between 2010 and 2013 will come from retail. Of the forecast 374,000 hectolitre increase in overall volumes during this period, 203,000 hectolitres, or 54.2 per cent, of the growth will come from retail sales. Similarly, retail sales growth will bring about higher prices for growers and distributors, and therefore by definition better profit margins.

As such, additional marketing activities sponsored by the International Olive Council should be focussed at driving growth through retail, a channel at this juncture of market evolution which can be more directly influenced through promotional and marketing activities, compared to foodservice, where much of the oils market in total is effectively beyond the reach of olive oil.

USA – Table Olive Supply

In 2009, the USA represented 87.8 per cent of North American table olive consumption (191,000 tonnes), compared with 90.0 per cent in 2004, and is forecast to represent 86.7 per cent of consumption in 2013.

The US domestic olive industry is currently largely focussed on the supply of table olives. However, as noted above, the focus of the market is likely to change in coming years to the planting of more oil olives. This is largely due to the crop failures that have affected the Californian olive industry in three of the last four years (2006, 2008 and 2009), as well as the inherently high costs of production in California. Furthermore, there is an increasing awareness that the water intensity of other crop production, such as almonds, in what is traditionally a state that suffers from drought and hence water shortages, makes oil olives a viable, and potentially highly profitable alternative.

As such, although the overall share that the domestic olive industry will have of the table olive market will not have declined too dramatically when comparing 2004 with 2013 – 47.7 per cent to 43.1 per cent - the absolute volume of olives produced will have decreased from 102,000 tonnes to only 77,000 tonnes – highlighting not only the shift in production focus, but also the fall in demand for table olives in the US domestic market overall as consumers steadily abandon the category both in retail and foodservice.

While not as dramatic, there will also be a decline in import volumes as well, over the same 2004 to 2013 period, with imports for consumption reducing from 112,000 tonnes to 103,000 tonnes, meaning that in total, the overall US table olive market would have declined by 16.3 per cent in ten years.

Table 8: USA Table Olive Supply, 2004-2013

Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Domestic Production	Processor	000s, \$US	475,054	508,272	294,259	280,142	1.7%	-11.2%
Net Imports for Consumption	CIF	000s, \$US	281,861	408,701	343,194	343,512	16.3%	2.1%
Volume								
Domestic Production	Processor	Metric Tonnes	102,395	111,528	56,607	77,311	2.2%	-7.1%
Net Imports for Consumption	CIF	Metric Tonnes	112,312	127,651	116,920	103,482	3.3%	-4.1%
Price Per Kilogram								
Domestic Production	Processor	\$US	\$4.64	\$4.56	\$5.20	\$3.62	-0.4%	-4.5%
Net Imports for Consumption	CIF	\$US	\$2.51	\$3.20	\$2.94	\$3.32	6.3%	0.7%

Source: Datamonitor, United States Department of Agriculture

Conversely, the value of table olives supplied to the USA, depending on source and also the final destination has broadly risen over the 2004 to 2008 period. However, there have been wide variances. For example, the processor price received for locally grown olives declined by 0.4% per annum on average, compared to a 6.3 per cent average annual increase seen for imported olives – highlighting the price pressures affecting local producers. Further, as domestic production volumes decline it is anticipated that grower returns will continue to suffer as customers become increasingly used to working with overseas suppliers (modifying their supply chains accordingly) – resulting in an average annual price decrease of 4.5 per cent for California's processors leading up to 2013. In contrast, import prices are expected to rise by an annual average of 0.7 per cent - with the result that the premium per kilogram commanded by local growers over CIF prices will have decreased from 85 per cent in 2004, to only 9 per cent by 2013.

Of the import countries, Spain is the largest supplier of table olives to the USA. On a CIF value basis, in 2009, it is forecast to represent 57.7 per cent of the import market, with sales worth \$198 million. However, as with olive oil, its share of the market has declined steadily since 2004 when it accounted for 62.4 per cent of import supply to the USA. In contrast, to the olive oil market though, no single country has managed to secure a major slice of the market at its expense, with there being an overall uplift in volumes sourced from a wider range of countries. So, even though, Argentina, for example, has increased its share of the import market from 2.7 per cent to 6.1 per cent, and Egypt its share from 0.2 per cent to 1.7 per cent, there has broadly been incremental increases in supply across another 27 country markets.

Table 9: Leading Exporters of Table Olives to USA by Value, 2004-2009						
		2004	2008	2009	Share of Market 2004	Share of Market 2009
Spain	000s, \$US	175,764	235,151	197,890	62.4%	57.7%
Greece	000s, \$US	58,969	80,377	74,453	20.9%	21.7%
Morocco	000s, \$US	28,577	46,264	32,178	10.1%	9.4%
Argentina	000s, \$US	7,500	20,490	21,077	2.7%	6.1%
Italy	000s, \$US	6,177	11,514	9,450	2.2%	2.8%
Other	000s, \$US	4,874	14,905	8,147	1.7%	2.4%
Total	000s, \$US	281,861	408,701	343,194		

Source: Datamonitor, United States Department of Agriculture

Based on US Federal Agriculture import data there is a wide variance in terms of pricing achieved by table olive exporters to the USA. At the top end of the market, Italian olives achieved a CIF per tonne price of \$4,550 in 2009, whilst at the bottom end of the market Mexican olives were only commanding a price of \$720. Overall, pricing for imported table olives rose on average by 4.0 per cent per annum over the 2004-2009 period, with only olives supplied from Greece, out of the major suppliers falling over from a 2004 peak of \$4,670 per tonne to \$3,490 in 2009.

Table 10: Leading Exporters of Table Olives to USA by Volume, 2004-2009

		2004	2008	2009	Share of Market 2004	Share of Market 2009
Italy	Metric Tonnes	71,119	66,203.40	60,882	63.3%	52.1%
Greece	Metric Tonnes	12,631	18,916.10	21,352	11.2%	18.3%
Morocco	Metric Tonnes	15,606	17,050.00	11,859	13.9%	10.1%
Mexico	Metric Tonnes	4,714	11,581.10	4,532	4.2%	3.9%
Argentina	Metric Tonnes	4,974	8,597.20	12,584	4.4%	10.8%
Other	Metric Tonnes	3,268	5,303	5,712	2.9%	4.9%
Total	Metric Tonnes	112,312	127,651	116,920		

Source: Datamonitor, United States Department of Agriculture

As with the olive oil market this divergence in pricing is predicated by market consumption of the table olives imported. For example, it is apparent that high end olives for retail in premium outlets such as Whole Foods will command higher prices, whilst olives for supply to fast food restaurants, in particular pizza parlours as a generic topping, will command significantly lower prices.

USA – Table Olive Consumption

As with olive oil, there are two distinct markets for table olives in the USA – retail and foodservice, and as with olive oil there is a significant bias in terms of consumption towards foodservice, with in 2009, 72 per cent of all table olives being supplied into the out-of-home catering industry.

However, in contrast to the olive oil market, the table olive market in the USA is in decline, with consumption volumes declining by 2.4 per cent per annum between 2004 and 2008, and average declines forecast to continue at a rate of 1.6 per cent per annum up to 2013. Overall, this means that the US table olive market will have contracted by nearly 35,000 tonnes in a decade, with 25,000 tonnes of this decline coming at the expense of US domestic table olive producers.

The sharpest declines up to 2009 have been in retail sales of table olives. This is because table olives have ceased to be part of middle-America's diet as a stand alone product and as an ingredient for addition to home prepared meals. Accordingly, table olive consumption is increasingly limited to higher income group consumers or olives are viewed as only being required for consumption on special seasonal occasions. On a per capita basis the decline in retail consumption is even more dramatic than the decline in overall retail table olive volumes. With the population of the USA effectively growing by one per cent per annum, the average annual decline in retail volumes of 3.5 per cent between 2004 and 2008 becomes a decline of 4.4 per cent - with consumption per head reducing from 211 grams to 164 grams by 2013. The only positive that can be taken from an examination of table olive consumption is that the decline in absolute volumes is actually slowing, decreases averaging 0.5 per cent per annum from 2009 to 2013, and per capita consumption declining similarly by 1.5 per cent.

The table olive market in foodservice has also seen negative growth since 2004 with an average decline of 2.0 per cent per annum having been seen up to 2008, and forecast decline at the same rate set to continue up to 2013. The reasons for this decline however are less apparent than in retail, as pizza, for example,

which has typically used olives as a fairly standard topping, is one of the fastest growing foodstuffs in the USA.

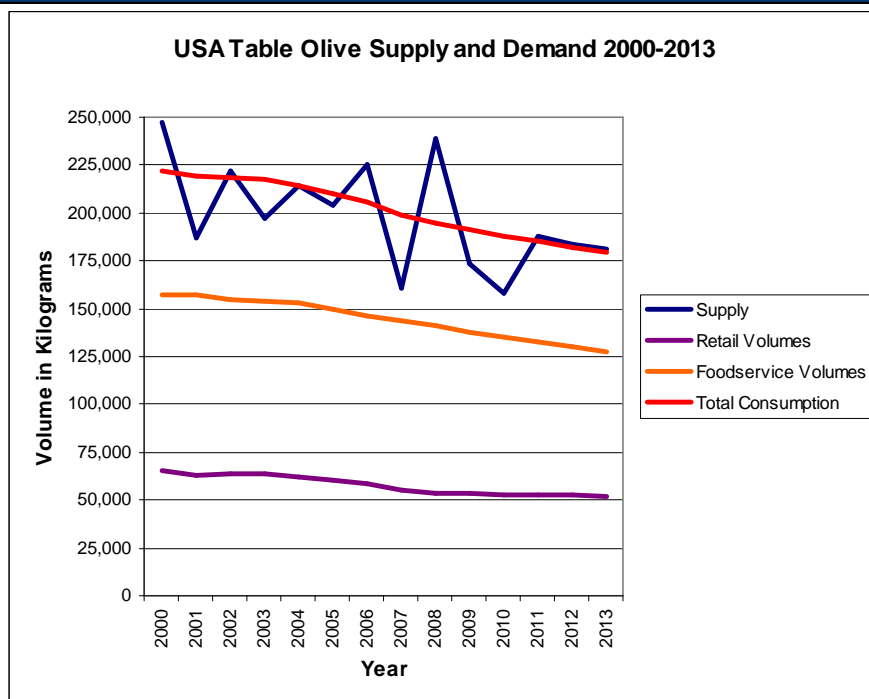
Table 11: USA Table Olive Domestic Consumption, 2004-2013								
Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Retail	Retail	000s, \$US	482,286	537,516	548,262	595,830	2.7%	2.1%
Foodservice	OBP	000s, \$US	589,250	903,845	728,261	1,044,522	11.3%	2.9%
Volume								
Retail	Retail	Metric Tonnes	61,836	53,628	53,306	52,248	-3.5%	-0.5%
Foodservice	OBP	Metric Tonnes	152,671	140,819	138,002	127,289	-2.0%	-2.0%
Price Per Kilogram								
Retail	Retail	\$US	\$7.80	\$10.02	\$10.29	\$11.40	6.5%	2.6%
Foodservice	OBP	\$US	\$3.86	\$6.42	\$5.28	\$8.21	13.6%	5.0%
Consumption Per Capita								
Retail		Kilogram	0.211	0.176	0.174	0.164	-4.4%	-1.5%
Foodservice		Kilogram	0.521	0.463	0.449	0.399	-2.9%	-2.9%
Total		Kilogram	0.733	0.639	0.623	0.562	-3.4%	-2.5%

Source: Datamonitor, United States Department of Agriculture

As such, the most likely reasons for the decline are due to three main factors, all of which are linked to a reduction in US consumers who have a taste for table olives, and to a shift in actual consumption behaviours:

- A major user of olives in the USA is the bar industry, which uses olives in the preparation of martinis. However, the martini as a cocktail has reduced in popularity in recent years, due to a combination of being perceived as old-fashioned particularly among younger consumers, and also due to the reinvention of the martini cocktail category, with new non-traditional combinations of martinis being created by bars – the vast majority of which do not call for the inclusion of olives;
- Pizza parlours have increasingly allowed US consumers to customise their pizza toppings, meaning that to a greater or lesser extent there are no longer fixed pizza servings. Table olives seem to have suffered in favour of other toppings as a result; and
- The increased popularity of the Mediterranean diet among US consumers has not translated into dishes which include olives. Indeed, as with retail table olive sales, the uses of olives in dishes such as salads seems to have increasingly become the preserve of more upmarket restaurants and foodservice establishments, particularly as the ethnic demographic mix of the USA changes, and Mediterranean immigrant groups become more homogenised within the generic US cultural mix, have changed their menus accordingly to better service this new and growing consumer base.

Overall, between 2004 and 2013, the decline in foodservice volumes will amount to 25,000 tonnes, or 73 per cent of the volume lost. On a per capita basis, out of home table olive consumption will fall from 521 grams to 399 grams over the same period.

Figure 3: USA Table Olive Supply and Demand, 2000-2013

Canada – Table Olive Supply

In 2009, Canada represented 12.2 per cent of North American table olive consumption (27,000 tonnes), compared with 10.0 per cent in 2004, and is forecast to represent 13.3 per cent of consumption by 2013.

All of Canada's table olives are imported, and unlike the USA, table olive consumption has actually been rising in Canada at an average annual rate of 2.1 per cent up to 2008, and is forecast to continue to rise at a rate of 1.2 per cent up to 2013. This means that compared with 2004, by 2013 an annual additional 4,447 tonnes of table olives will be shipped to Canada.

Table 12: Leading Exporters of Table Olives to Canada by Value, 2004-2009

		2004	2009	Share of Market 2004	Share of Market 2009
Spain	000s, \$US	24,431	25,916	44.2%	40.6%
Greece	000s, \$US	16,730	22,589	30.2%	35.4%
USA	000s, \$US	5,348	4,587	9.7%	7.2%
Morocco	000s, \$US	2,480	2,395	4.5%	3.7%
Argentina	000s, \$US	654	2,010	1.2%	3.1%
Other	000s, \$US	5,678	6,370	10.3%	10.0%
Total	000s, \$US	55,321	63,867		

Source: Datamonitor, Statistics Canada

In 2009, Spain and Greece were the two major suppliers of table olives to Canada, controlling 49 per cent and 26 per cent of the market respectively on a volume basis. On a value basis, Spain's share of the market

decreases to 41 per cent and Greece's rises to 35 per cent due to the price premium that Greek table olives are able to attract within the market, \$3420 per tonne, compared to \$2270 per tonne. Spain's overall exports to Canada in 2009 were worth \$24 million.

Table 13: Leading Exporters of Table Olives to Canada by Volume, 2004-2009

		2004	2009	Share of Market 2004	Share of Market 2009
Spain	Metric Tonnes	12,091	11,429	52.5%	48.8%
Greece	Metric Tonnes	4,329	6,000	18.8%	25.6%
USA	Metric Tonnes	2,427	1,585	10.5%	6.8%
Morocco	Metric Tonnes	1,303	1,001	5.7%	4.3%
Argentina	Metric Tonnes	438	1,051	1.9%	4.5%
Other	Metric Tonnes	2,445	2,352	10.6%	10.0%
Total	Metric Tonnes	23,033	23,418		

Source: Datamonitor, Statistics Canada

Compared with 2004, the biggest decline in import volumes has been experienced by US suppliers to Canada. This is in line with the overall decline being seen in US table olive production in general, with volume share declining from 10.5 per cent to 6.8 per cent - 2,426 metric tonnes to 1,585 metric tonnes. This decline has been arrested somewhat by an increase in CIF pricing per tonne, which has risen by 30 per cent over the period, but nevertheless is symptomatic and representative of the problems experienced by the US industry.

Table 14: Canada Table Olive Supply, 2004-2013

Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Net Imports for Consumption	CIF	000s, \$US	55,321	61,717	63,867	69,003	2.8%	2.3%
Volume								
Net Imports for Consumption	CIF	Metric Tonnes	23,033	24,565	23,418	27,720	1.6%	2.4%
Price Per Kilogram								
Net Imports for Consumption	CIF	\$US	\$2.40	\$2.51	\$2.73	\$2.49	1.1%	-0.2%

Source: Datamonitor, Statistics Canada

As also seen in the olive oil market, export prices to Canada are also lower than export prices to the USA, with the average price per tonne being \$2,940 in the USA, compared with \$2,476 in Canada. As a result, the average retail and foodservice operator buying prices for table olives are also lower in Canada. However, there is no discernible reason, including import duties and taxes why this should necessarily be the case, except for the fact that in the USA, prices have historically been set against the backdrop of local production accounting for nearly 50 per cent of total supply, and hence a price ceiling has been set in the USA against which exporters have had to price their goods accordingly in order to potentially avoid anti-dumping or similar actions.

Canada – Table Olive Consumption

As with olive oil in both countries, and with table olives in the USA, there are once again two distinct markets for table olives in Canada – retail and foodservice. Foodservice does however, have an overall greater proportion of the market than olive oil in Canada, accounting for 40% of all olive consumption, compared to 60% in retail. These proportion splits have remained relatively unchanged since 2004 and are similarly not forecast to change to any great degree by 2013 either.

The biggest difference when comparing the table olive market in the USA with the table olive market in Canada is while table olives in the USA have steadily lost ground over recent years, Canada's market has continued to grow – albeit not at the rate experienced by olive oil. Indeed, whilst absolute volume growth has risen by an average 2.1% to 2008, per capita consumption has also grown by 1.2% as well – indicating that the dynamics of the market in Canada are quite different from those seen south of the border.

The main identifiable reason for this difference is the more European aspect to Canadian culture in general, particularly given the influence of the large French community in the country. Further, there are also differences in immigration patterns to Canada, which tends to attract new citizens, particularly in the East, from former British Commonwealth countries and the United Kingdom, as opposed to Latin and South America. Therefore, many of the consumption habits and behaviours seen in Canada are more akin to Europe and Australia than to the USA.

This is also shown in foodservice, where the convenience aspect of food consumption, so prevalent in the USA, is offset to a greater or lesser extent by a greater desire for a quality dining experience. As noted above, there is a much greater number of quick service restaurants in the USA compared to Canada, and the consumption of other convenience food service products is also much lower in Canada – with a greater emphasis being placed on a café culture and full service dining. This means that more traditional and authentic menu options are adhered to and are more widely available to consumers.

Table 15: Canada Table Olive Domestic Consumption, 2004-2013								
Category	Price Point	Unit	2004	2008	2009	2013	CAGR 04-08	CAGR 08-13
Value								
Retail	Retail	000s, \$US	56,673	77,967	74,627	90,377	8.3%	3.0%
Foodservice	OBP	000s, \$US	21,628	32,568	28,236	33,713	10.8%	0.7%
Volume								
Retail	Retail	Metric Tonnes	14,351	15,624	15,936	16,583	2.1%	1.2%
Foodservice	OBP	Metric Tonnes	9,568	10,416	10,624	11,056	2.1%	1.2%
Price Per Kilogram								
Retail	Retail	\$US	\$3.95	\$4.99	\$4.68	\$5.45	6.0%	1.8%
Foodservice	OBP	\$US	\$2.26	\$3.13	\$2.66	\$3.05	8.4%	-0.5%
Consumption Per Capita								
Retail		Kilogram	0.453	0.476	0.481	0.483	1.2%	0.3%
Foodservice		Kilogram	0.302	0.317	0.321	0.322	1.2%	0.3%
Total		Kilogram	0.755	0.793	0.802	0.805	1.2%	0.3%

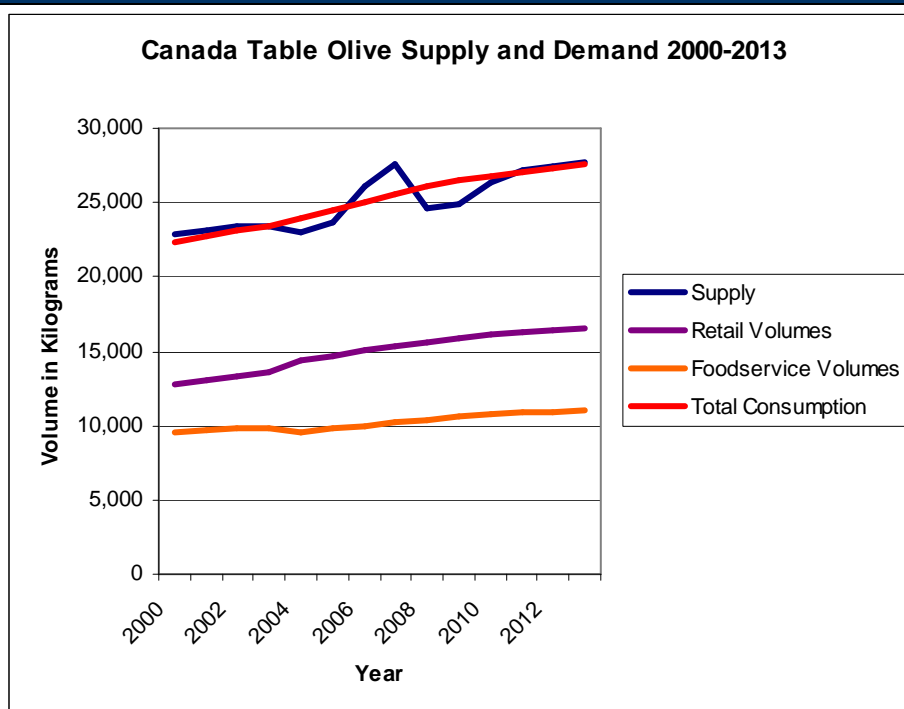
Source: Datamonitor, Statistics Canada

Similarly, because of the fact that Canadians are more likely to dine at home and prepare meals from scratch compared to US consumers, there is a greater propensity for the use of olives as a meal ingredient, and also for at home consumption of olives as a snack food or as an accompaniment when entertaining guests – whereas in the US, it would be more likely that savoury snacks, both traditional and ethnic, would be offered.

Despite the fact that the Canadian market has for the reasons given above benefitted from lower prices for table olives compared to the USA, this gap is narrowing at a retail level, where average price growth per annum in the USA has been stymied by declining volumes and averaged only 2.7% between 2004 and 2008, compared with 8.3% in Canada. Average price increases in retail in Canada are also set to rise faster than in the USA up to 2013, however, by a much smaller margin, 3.0% compared to 2.1%.

Overall, Canadian consumers by 2013, will eat 805 grams of table olives per capita, nearly 50% more than US consumers, whereas in 2004 the gap in consumption was only 22 grams (or less than 3%) – 755 grams in Canada compared to 733 grams in the USA.

Figure 4: Canada Table Olive Supply and Demand 2000-2013



KEY INSIGHT – TABLE OLIVE SUPPLY AND CONSUMPTION:

There are distinct differences between the USA and Canada when it comes to table olive consumption from both a cultural and perception perspective. This is reflected by the fact that the US market is in a steady state of decline, whilst the Canadian market is continuing to grow at a slow but steady pace. Overall, however, the North American market will have contracted by 31,000 tonnes by 2013 compared with 2004, with the bulk of this decline being directly attributable to the decline in production among US table olive growers.

As with olive oil, additional marketing activities sponsored by the International Olive Council should also be focussed towards driving growth through retail. The dynamics of the foodservice market in the USA are such that it will be difficult to do more than arrest the declines being seen in consumption, as the convenience trends being seen are only likely to continue for the foreseeable future. In Canada, the more traditional nature of the market also means that volumes will continue to grow in foodservice.

However, in retail, the consumer can be more directly influenced and as volume declines in the USA are slowing, there exists an opportunity to arrest the decline in volumes with well targeted messaging and promotion. Similarly, in Canada, greater volume increases than currently forecast can also be driven via a similar campaign.

Market Structure – Supply Chain

The supply chain dynamics for imported olive oil and table olives do not differ greatly between the USA and Canada. However, there is an added level of complexity in the USA when it comes to domestic supply.

In 2009, there were over 3.4 million hectolitres of olive oil imported into North America, as well as nearly 142,000 tonnes of table olives for consumption. In addition, a further 26,000 hectolitres of olive oil were produced in the USA and nearly 57,000 tonnes of table olives.

By 2013, it is forecast there will be some relatively significant shifts in these supply balances. In that year, nearly 3.6 million hectolitres of olive oil will be imported into the USA and Canada, representing a 4.6% increase in volume over 2009, but only 131,000 tonnes of table olives will be imported, an effective decrease of 7.5%. However, there will be a major change in the structure of the US domestic olive industry, with the emphasis and focus being placed increasingly on the production of olive oil compared to table olives. Olive oil production will increase to 145,000 hectolitres, nearly a six fold change compared with 2009, whilst conversely table olive output will also increase to 77,000 tonnes, a notional increase on 2009, but actually representative of an overall declining trend in the US table olive market, which will continue to see a slow and steady reduction in output compared to its 2006 production peak of over 116,000 tonnes.

Accordingly, the following section of this report will examine the dynamics of the supply chain for both olive oil and table olives in the USA and Canada, highlighting the differences between domestic and imported supply, as well as looking at the potential for the Californian olive oil and table olive market in the future. The key aim will be to provide the International Olive Council with a clear perspective on the structure of the market, the regulatory environment affecting the market and the core steps necessary to get product to market in both countries.

Olive Oil – USA and Canada - Imported Supply

The relatively high price of olive oil in the USA is in part due to the often convoluted supply chains involved in getting product to market. This is in part due to historical factors, as olive oil until recently was still considered to be a relatively niche product in the USA, and as such there were and still are literally dozens of importers and distributors, who work with small olive producers to bring bulk supplies to the USA for bottling and redistribution, mainly to high-end food retailers and specialty shops. However, in recent years these dynamics have begun to change as olive oil has well and truly entered the mainstream in the USA, and as such has become a must have product from a stocking perspective for all major US supermarkets and hypermarkets.

This change in the volume dynamic has also changed how olive oil is bottled and redistributed in the USA. Whereas, the traditional model detailed above, involved bottling taking place in the USA, there is now a move towards bottling at source, which not only provides greater efficiencies for the producer, but also greater flexibility for the retailer or wholesaler in North America to influence the retail format of the product.

The Hojiblanca / Cargill co-operative near Malaga in Spain is one producer that is embracing this change in supply dynamic. The growth of private label brands, not just in the USA and Canada, but across Western Europe, means that retailers can increasingly work directly with producers, bypassing bottlers, wholesalers and distributors, to source products often at a lower cost, but of similar quality to those provided by traditional

brands. Through leveraging the vertical integration of its operations, and its existing reputation for supplying high quality products, Hojiblanca has a corporate aim to dominate the global private label market.

The co-operative itself represents over 35,000 olive oil farmers, has fifty oil mills, and is already the second largest supplier of tinned and packaged olives globally. Further it has the capacity to produce 1.4 million hectolitres of olive oil, giving it the scale to work in partnership with major global retailers such as Walmart, thereby creating products that are specifically tailored to the demands of specific and individual customers.

Scale of this nature also allows Hojiblanca and similar producers to create “white label” products that can be modified and adapted from a branding and labelling perspective to service smaller retailers in markets such as Canada, and also to provide bottling services for existing brands using Hojiblanca produced oil.

Figure 5: Supply Chain for smaller volume olive oil exports to the USA and Canada

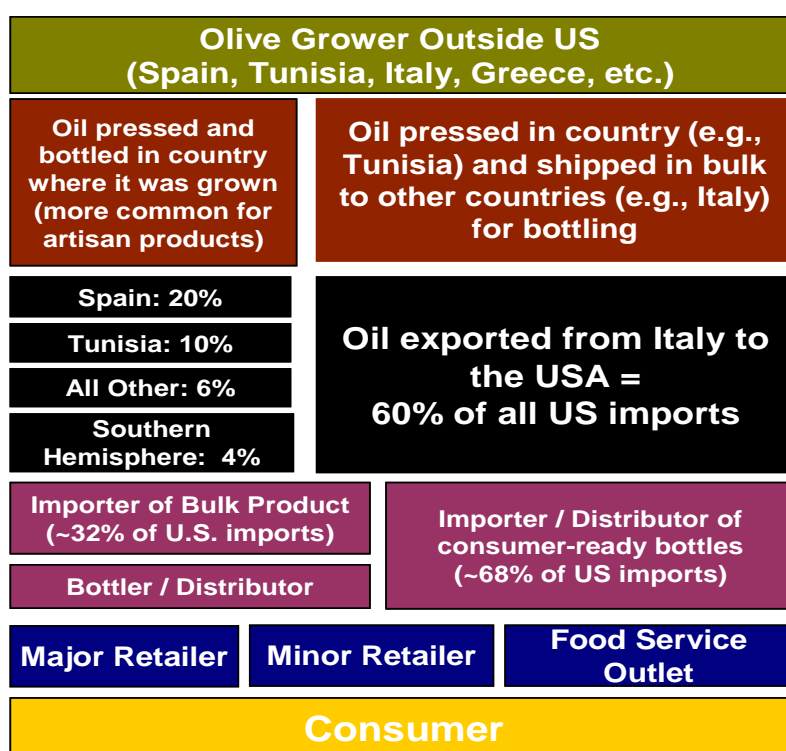
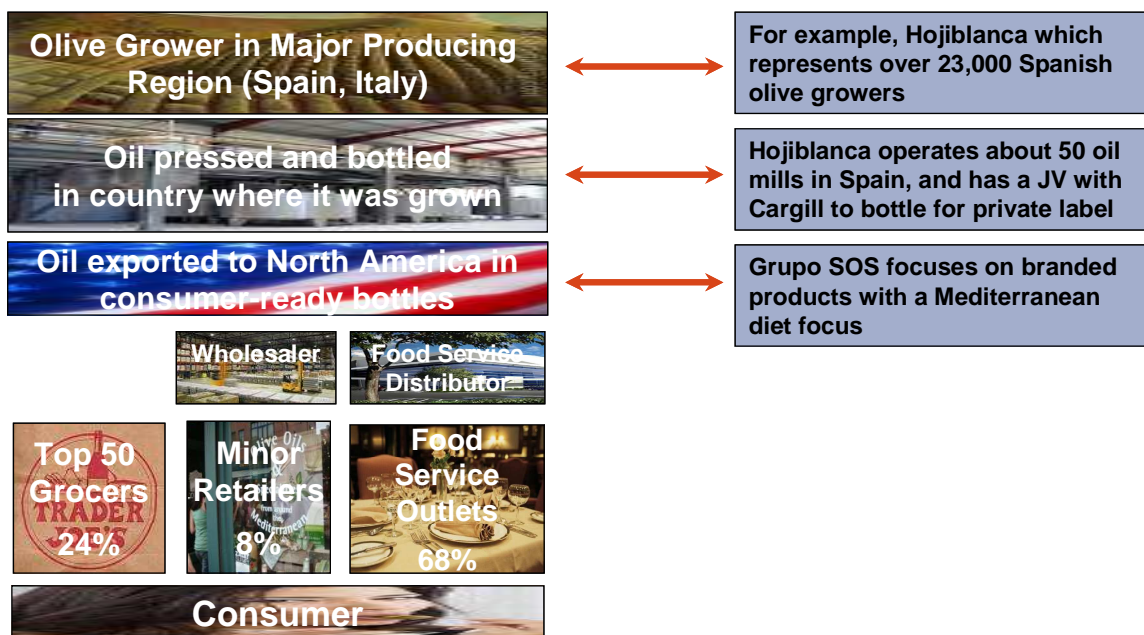


Figure 6: Supply Chain for larger volume olive oil exports to the USA and Canada



This potential improvement in supply chain efficiency means that, in theory, margins at each step in the supply chain can be improved, importantly providing growers with better returns, but also reducing the retail price gap between olive oil and other cooking oils against which it competes in the USA and Canada. With the largest opportunity for mass market sales growth for olive oil being potentially available through the substitution of other cooking oils, such as soy and canola, in the US and Canadian shopping basket, any steps that can be taken to mitigate the barrier in the minds of consumers posed by the olive oil price premium needs to be taken.

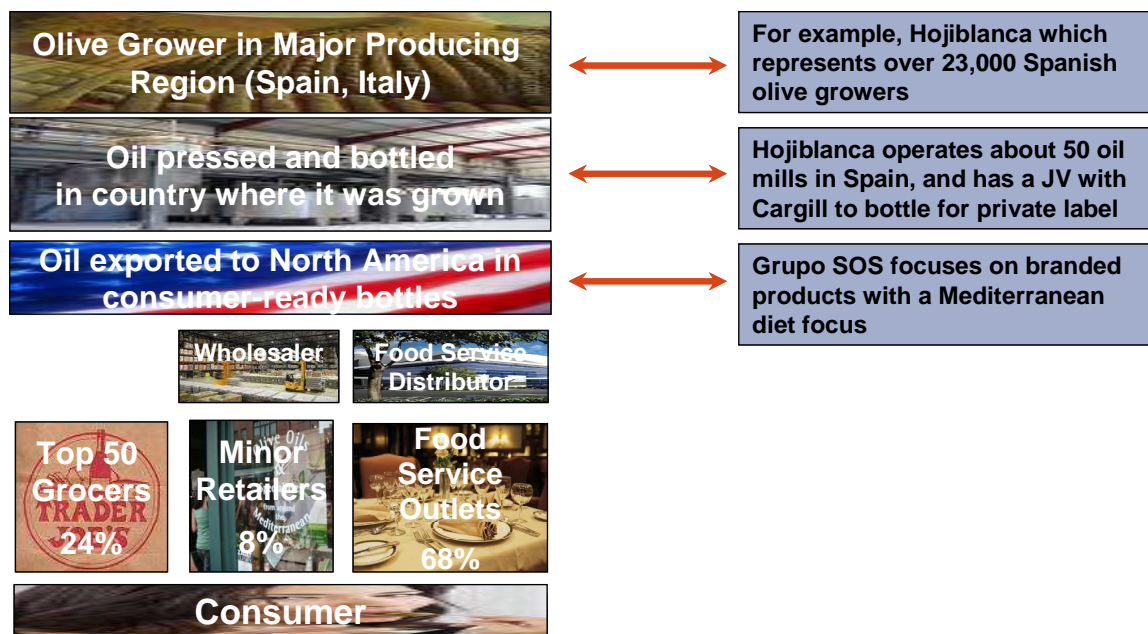
Olive Oil – USA - Domestic Supply

Heading up to 2013, it should be noted that US domestic supplies of olive oil, even with an expected six fold increase in production volumes, will not have sufficient weight in the market to move beyond servicing niche and artisanal markets. Therefore, the emphasis and focus will need, as is the case today, to be on the provision of high quality products which command high end prices.

However, there are more than just economies of scale which will potentially limit the expansion of domestically produced olive oil into the mass market. Californian olive growers also need to overcome factors such as high land prices, high costs and a shortage of labour relative to other countries, EU subsidies to olive growers (particularly in Spain, Italy and Greece) and increasingly the threat of failing harvests. For example, a well run modern mill in Turkey, Morocco or Tunisia can produce and ship a litre of high quality oil to the USA at less than half the cost of production in California. Similarly, the cost of production in Italy, Spain and Greece becomes even lower once the effect of European Union subsidies is taken into consideration.

At present, California has 8,500 hectares dedicated to growing oil olives, with a further 4,000 hectares of supply becoming available by 2020. Most of the new production capacity coming on stream will be planted to enable mechanical picking in an effort to reduce high labour costs. However, if the full potential from this increase in capacity is to be realised, then the oil olive industry needs to hope that it is not affected by the same adverse conditions that have caused harvest failure in three of the last four years – a factor that has almost certainly had a part to play in the decline in the US table olive market.

Figure 7: US Domestic Production Supply Chain for Olive Oil



As can be expected, most US growers of oil olives are small scale producers with typically around only 40 hectares under production. The only company that has any real scale, and as such can produce olive oil at close to the price points required by the mass market, is California Olive Ranch, which is owned by the Spanish company, Agromillora. With currently over 4,000 hectares in production for both oil olives and table olives, California Olive Ranch, also operates the largest of the state's 27 oil mills, with a projected output capacity in 2010 of approximately 110 tonnes per hour.

Of the remaining mills, 16 operators have a capacity of less than 2,500 hectolitres and account for a combined total of only seven per cent of California's annual production. By contrast, the largest six mills, including California Olive Ranch, account for over 80% of current output.

There are three typical routes to market for growers in California:

- If the grower has its own mill, the olive oil produced can be marketed through a website, sold at the mill door, via limited distribution in specialty stores and restaurants, or via farmers' markets;
- If the grower does not have a mill, then they can contract with a mill owner to produce the oil on their behalf, and then market the product in a similar manner to producers who do own their mills; or

- A grower can sell its crop to California Olive Ranch, who will then take on responsibility for marketing and selling the oil produced. California Olive Ranch is presently the only producer operating at this scale and typically it looks to return 70% of the oil's sale price to the grower.

As can be seen, there are great marketing and cost differences between the few large firms producing over 5,000 hectolitres per annum, and the many smaller firms producing less than 750 hectolitres a year, and accordingly a wide difference in terms of the products that are endeavoured to be made. Larger firms typically will look to manufacture products that have a consistency from year-to-year, while smaller producers make small batches of oil which they then blend in order to create "boutique oils". As such, production costs can range from as little as \$3 per litre up to as much as \$7.50 per litre.

A good comparison as to the likely evolution of the Californian olive oil industry can be taken from the experience in Australia. Australians consume the most olive oil per capita outside of the Mediterranean, due in part to the strong Greek and Italian communities present in the country, which does provide Australian producers with a readily available domestic market – which is effectively matched in the USA by the sheer potential size and scale of the opportunity presented by the population. In 2004, the Australian olive oil industry produced 27,000 hectolitres of oil. By 2008, production had reached 140,000 hectolitres, and by 2014 the country is forecast to produce 270,000 hectolitres. These growth projections mirror very closely what is anticipated to happen in California over similar time windows, with California effectively producing the same amount of oil as Australia will in 2014 by 2020.

Olive Oil – USA & Canada – Regulatory Environment

Product Quality

The major difference between the USA and Canada in terms of regulation of olive oil supply is the fact that the US has not as of yet universally adopted the International Olive Council's standard definitions for what classifies olive oil and its varieties. This lack of quality regulation would appear to have had some negative effects in terms of products supplied to US consumers, both by local producers and also by distributors of imported products. For example, given the US consumer's preference for extra virgin olive oil, both domestic and import suppliers have allegedly in some instances been found to be selling oil with an extra virgin olive oil claim, despite it not actually meeting the International Olive Council's definition, and further oil blends have been sold as being 100% olive oil in some cases as well.

As such, the US Department of Agriculture in 2008 issued a draft revision to the US Standards for Grades of Olive Oil, which will conform to International Olive Council standards, with aim that this would take effect in 2010. The adoption of these standards would bring greater regulation to the industry, both from a domestic production perspective and also for imported oil. In anticipation of this national change, a number of states have already passed their own regulations to ensure that products sold already comply with International Olive Council standards. For example, laws in California and Connecticut came into effect in 2009, with New York, Oregon, New Jersey, Rhode Island and Texas expected to follow suit over the course of 2010 and 2011.

In Canada, where guidelines for the sale of olive oil are legislated for by the Food and Drugs Act, and are enforced by the Canadian Food Inspection Agency, regular checks and tests of imported consignments of oil are made to ensure compliance. Penalties for non-compliance are potentially severe, with fines of up to \$225,000 and prison sentences of up to three years being available to the authorities.

It should be noted that the North American Olive Oil Association (NAOOA) has endeavoured in recent years to ensure a degree of industry self regulation, whereby membership of the association was conditional on agreeing to adhere to International Olive Council standards. Similarly, the NAOOA also introduced a certification programme for its members, whereby brands could apply for quality assurance seals ratified either by itself or by the California Olive Oil Council. Pompeian, the Maryland based importer and bottler of olive oil, was the first brand to achieve this level of recognition in the USA.

Import Restrictions

Despite having a domestic olive oil industry, the duty applicable to olive oil imports is not overly punitive, particularly when production subsidies in the European Union are taken into consideration. For instance, the effective rate of duty per litre, applicable to countries with which the USA does not have a free trade agreement such as Australia and Morocco, for olive oil imported in containers under 18 kilograms is 4.6 cents per litre and 3.15 cents per litre for oil imported in containers over 18 kilograms. By contrast, the effective European Union subsidy is around 75 cents per litre for exports, while US growers do not benefit from any government subsidies themselves.

It is anticipated that subsidies provided under the European Union Common Agricultural Policy will reduce post 2013 by 20-30%, with greater emphasis also being placed on environmentally sustainable practices. This should in theory in the future make US producers more competitive than they are currently.

There is presently no import duties levied in Canada on olive oil imports, although it was mooted back in 2005 to impose a 10% rate of duty on imports as part of a nascent trade dispute with the European Union.

Country of Origin

In 2009, the US Department of Agriculture issued rules in relation to the country of origin status of perishable agricultural commodities, such as fresh meat and produce. However, these rules did not cover olives, nor did they cover olive oil. As such the only country of origin compliance that applies for exports to the USA is governed by the Tariff Act of 1930 which states that products entering the USA must be labelled with their country of origin and accordingly, in the case of olive oil, must indicate where the oil's olives were sourced from, and not just the country where the olive oil was processed or packaged. However, as this information is usually provided in very small print on labels and packaging, it is quite legitimate for Spanish olive oil, for instance, to be shipped to Italy for packaging, and then exported to the USA and sold as Italian olive oil.

In Canada, the rules are even less transparent. There is no need to indicate the name of the country of origin where the olive oil was prepared or processed as long as the name of the Canadian importer prefixed by the statement "imported by" or the foreign producer is detailed.

Regulations in both countries are therefore now somewhat behind those in the European Union where from July 2009, all olive oil sold within the EU must be marked with country of origin and also must indicate whether the olive oil was made from multi-country blends.

This lack of labelling and origin clarity in North America is a reason for consumer confusion and understanding of the types and varieties of olive oil. As such consumers are unable to make clear associations with regions and flavours when it comes to olive oil product choice and selection, and as a result dilutes the ability of the olive oil industry generally to begin to create points of differentiation that are readily understandable by current and potential olive oil consumers.

KEY INSIGHT – OLIVE OIL SUPPLY CHAIN:

The supply chain for olive oil in the USA and Canada is effectively at a crossroads. US domestic producers are presently not of sufficient size or scale to embrace significant supply chain efficiencies, with the exception of California Olive Ranch, and therefore will continue for the foreseeable future to be niche, artisanal producers, or conversely their business will evolve into being solely suppliers of olives for the major Californian mills.

However, the biggest change that is likely to effect the industry will come from the consolidation of supply from companies such as Hojiblanca in ready bottled formats to major retail chains or to wholesalers with national distribution infrastructures. The cost effectiveness and sheer scale of these operations will place increasing pressure on the traditional US and Canadian olive oil import and processing industry, potentially resulting in a consolidation of distribution points in both countries.

The key outcome of this change will be that olive oil will become more affordable for US consumers relative to the price points of other cooking oils, with the trade off that there will possibly be less brand choice available, making it more difficult for small producers globally to gain access to the market with any scale.

In order to take full advantage of these changes, the International Olive Council needs to ensure that consumer confusion about the origins, the varieties and benefits of olive oil is mitigated so as to create a market in the USA and Canada where there is a clear understanding of the benefits and differences between the multitude of different types of olive oil. Without this there is a danger that olive oil may become commoditised, and whereas the implied changes in supply chain dynamics can be positive for the industry and for growers, if consumers can see no benefits in using olive oil over and above other cooking oils, the focus will become one that is purely price driven.

Table Olives – USA and Canada - Imported Supply

In comparison to the supply chain for olive oil, imported table olive supply to the USA and Canada is not as complicated. This is because by definition table olives must be brined and preserved within days of being picked in order to be suitable for consumption. As such, the vast majority of table olives exported to the USA are already supplied by organisations, such as Hojiblanca and Aceitunas Sevillanas, who have fully vertically integrated production. This means that olives shipped to the USA have typically already been pitted and sliced, as well as packaged in customer ready containers for supply to either foodservice or retail customers.

A major proportion of olives exported to the USA are pre-sliced black ripe olives from Spain and Morocco, which are used predominantly in the foodservice industry for the likes of pizza toppings, where the taste of the olive is often disguised by other products such as meat, cheese or sauces, meaning that lower quality olives can be supplied and used. Conversely, imported olives are also most prevalent where quality and taste is of paramount importance to the consumer being found in bulk supply at salad bars and olive bars at high-scale supermarket chains and delicatessens for example.

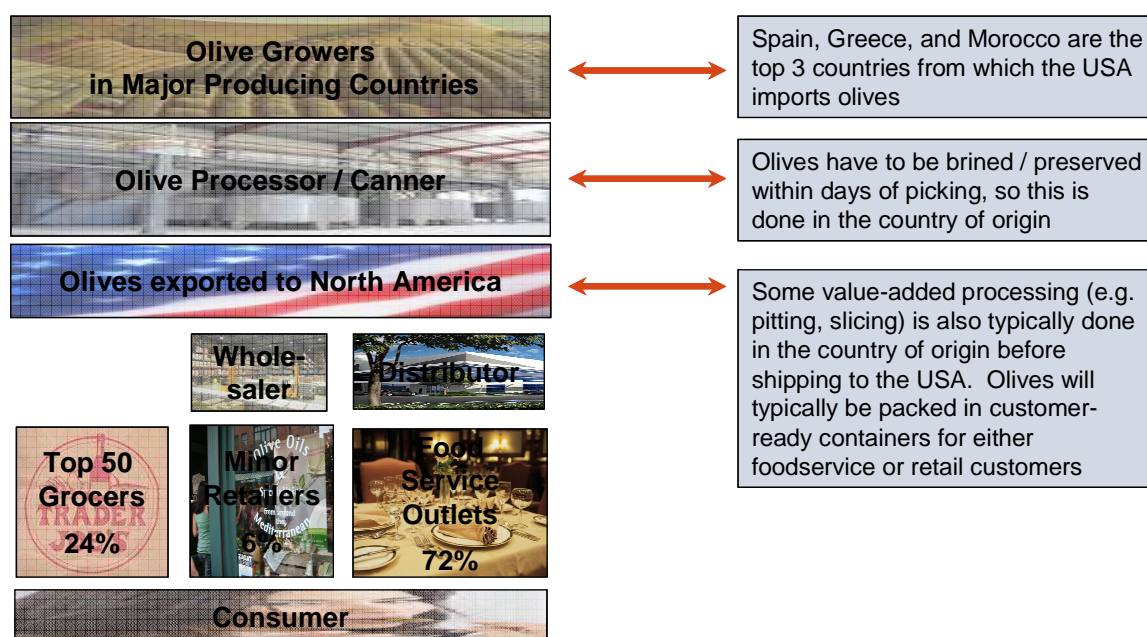
Figure 8: Supply Chain for Imported Table Olives to the USA and Canada

Table Olives – USA - Domestic Supply

In 2009, there were slightly less than 11,000 hectares under plantation for table olives in California, supporting around 1,500 growers. Given the less than favourable market environment for table olives in the USA, the number of hectares under production for table olives is expected to decrease to approximately 9,500 by 2013. (It should be noted that not all of these hectares will be lost to olive production completely however, with oil olives actually being planted as replacement crops in a lot of cases).

Unlike oil olive plantations all table olive production in the USA is harvested manually, making the industry dependent on relatively high cost immigrant labour each year for a six to eight week window from mid-September to early November.

Table olive growers in California do not process or can their own production, and accordingly are represented by a co-operative, the Olive Growers Council of California, which undertakes price negotiations on behalf of growers, with the two olive processing and canning plants in the USA – Bell-Carter and Musco. As well as selling and marketing US table olives directly to retailers and foodservice establishments in the USA and Canada, Bell-Carter and Musco are also leading wholesalers of imported table olives.

Manzanillo is the number one olive variety grown in California, at approximately 76% of total production, followed by Sevillano at 8% of total production, with the majority of all US table olives being sold whole for stand alone consumption, usually from tins or jars, or for supply to the foodservice industry for use in beverages such as martinis for example.

Figure 9: Supply Chain for US Domestic Table Olives

Limited volumes of olives are still supplied ready sliced to the foodservice industry for toppings, but a major blow was dealt to the economics and viability of these operations when in 2007, the US foodservice company, Sysco, announced that it would no longer be buying its sliced black olives domestically; Sysco's business had until that point typically accounted for between five and six per cent of all California production. Further, repeated bad harvests in California in three out of the four last growing seasons has meant that the proportion of the market traditionally serviced by Bell-Carter and Musco with domestic olive production has decreased due to a lack of volume to meet demand, whilst simultaneously, the consumer demand for olives, both in foodservice and in retail has also declined. This has also led to a decrease in the volume of olives exported, particularly to Canada.

Not only do bad harvests have a catastrophic effect on growers, they also do have the potential to disrupt and change supply chain structures – as to an extent highlighted by the Sysco example above. For instance, if Bell-Carter and Musco can not be guaranteed the volumes that they need locally to satisfy contracts that they have in place with leading retailers and food service establishments in the USA and Canada, then they must secure supply internationally. Not knowing from one season to the next what volume of olives they will require adds to the cost of their operations and also leads to higher than optimal inventory levels – a factor that is effecting the industry in the USA currently.

Similarly, poor harvests also typically mean the supply quality decreases as well – providing further incentive for processors to look to source offshore.

All of these factors create additional risk for the growers of table olives in the USA. If local processors begin to rely more heavily on supply from abroad, when a domestic harvest is strong, and global supply and demand is normal, then the price yield per tonne would have to be greatly reduced for the processors to be able to absorb all available capacity. The 2007 harvest, which was the last unaffected harvest in California, but also happened to coincide with poor harvests in other countries, yielded the best prices ever seen in California with full size Manzanillo olives fetching approximately \$1,275 per tonne, and full size Sevillano olives \$830 per tonne. However, in normal years, average prices paid have been typically no higher than \$450 per tonne.

Even in 2007, when pricing was at its highest, the viability and returns on investment for growers in California is not overly high compared to other cash crops. For example, if it is assumed that the average price per tonne received in that year for each of the approximately 101,000 tonnes harvested was \$900 taking into consideration all varieties and sizes, then the yield per hectare would be around \$8,250 – meaning that the average table olive producer in California would have only received a gross income for the season from his crop of just over \$60,000. As such it is hardly surprising that table olive production in California is being curtailed as at present there is neither the size nor the scale to be able to make the industry viable for farmers with small holdings.

Table Olives – USA & Canada – Regulatory Environment

Product Quality

Unlike olive oil there are no standards or regulations which are mandated for table olives, other than those that cover all foodstuffs, concerning health regulations and other similar concerns.

Quality control for table olives is typically managed by the olive processor, who will manage supply they receive from growers in a manner that is most conducive to the end needs of their customer – be that in foodservice or retail. For example, processors in California will deduct about \$65 per tonne from prices paid to growers if the product they deliver contains between seven to ten per cent of fruit which has to be culled due to discolouration, being broken, severely bruised, diseased or insect infested. If the cull rate is above ten per cent then the deduction rises to approximately \$130 per tonne.

Import Restrictions

Compared with the olive oil industry, table olive produces are afforded a greater level of protection by US authorities. Depending on the extent of processing, import duties applied to green table olives in brine, range from 3.7 cents per kilogram up to 8.6 cents per kilogram – with more heavily processed olives attracting higher rates. For black olives, the rates range from 9.3 cents per kilogram up to 10.1 cents per kilogram.

As with olive oil, the European Union subsidises exports of table olives to the value of \$135 per tonne, and also assists with subsidies for storage of olives as well. These subsidies remain in place up to 2013, when as with olive oil there is expected to be a decrease in subsidies of around 20 to 30 per cent.

There are presently no import duties levied in Canada on table olives.

Country of Origin

The same regulations apply to table olives as to olive oil in both the USA and Canada.

KEY INSIGHT – TABLE OLIVE SUPPLY CHAIN:

The key difference between the supply chain for table olives in the USA and Canada and between that for olive oil is the fact that the domestic USA industry is no longer in a position of strength to be able to invest and promote in the growth of its product and output. With growers leaving the industry due to poor profit outcomes, other stakeholders in the local industry are being forced to adjust their business models in order to absorb greater volumes of imported olives. This means that from a promotion and marketing perspective the real emphasis rests with processors and canners, and their brands, to further develop the US and Canadian table olive industry – as opposed to local growers – particularly when it is considered that the Californian table olive industry appears to be past its prime, and that the domestic market for table olives in the USA is in decline.

For the International Olive Council, this would imply that promotion of table olive consumption should not be a high priority in the formulation and development of any activity to drive overall olive consumption in the USA and Canada, as support from industry players due to declining revenues may be difficult to secure. However, more importantly, from a volume perspective, a strong focus on olive oil will also ensure that greater volumes of olives overall are utilised and sold – whether that be from imported olive oil production, or increasingly from local olive oil production.

Retail and Competitive Landscape – Olive Oil

The retail landscape for fats, oils and spreads in both the USA and Canada is extremely competitive, with both countries having dominant locally produced alternatives to olive oil.

In 2009, retail consumers in the US and Canada spent nearly \$10.2 billion on the fats, oils and spreads, made up of nearly 1.3 billion tonnes of solid and spreadable fats, and 1.4 billion litres of oils. Olive oil accounted for nearly 8.0% of total oil sales by volume, and 11.3% of total fats, oils and spreads sales by value across the two countries. Impressively, for what is by and large an imported product, in competition with other protected crops grown locally and supported heavily by grower associations and government lobbyists, olive oil whilst only being the fourth most consumed oil in volume terms, will be the number one oil consumed in value terms on present forecasts by the end of 2010. Indeed, the growth in the consumption of olive oil has been over double that of any other fat, oil or spread product over the period 2004-2008, with annual average value growth rates approaching 13.0%, compared to a category average of 3.4%.

The good news for the olive oil industry, is that both value and volume growth will continue to outstrip that of all other fats, oils and spreads up to 2013, with average value increases expected to be 7.8%, and volume growth 3.9%. This compares to overall industry value growth of only 3.7%, highlighting that consumers understand the health benefits associated with olive oil and are increasingly willing to pay premiums to achieve those benefits.

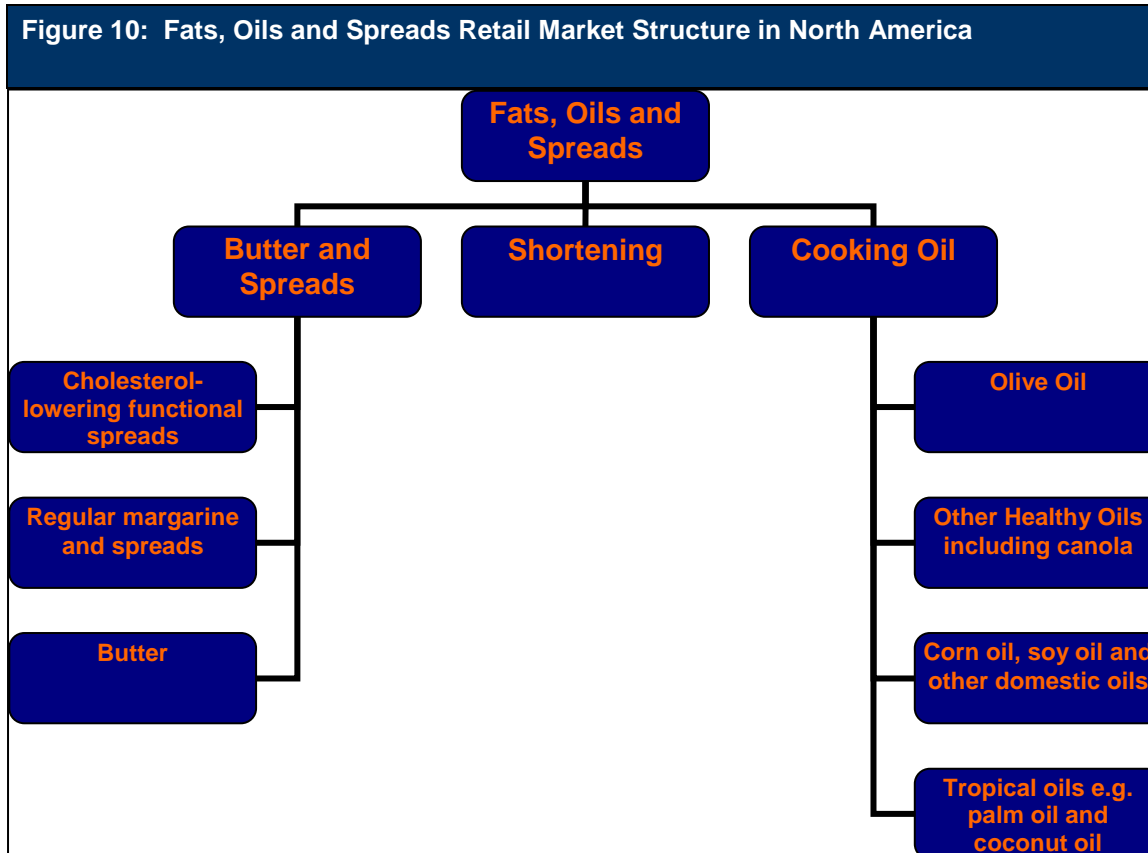
The following section of this report will examine the dynamics of the retail market in the USA and Canada for olive oil, and how olive oil is positioned against its main competitor products in each country. It will also look at how US and Canadian consumers use and perceive olive oil and where the opportunities exist for greater consumer penetration with olive oil, and accordingly where the opportunity exists for the International Olive Council to influence greater levels of consumption through its promotional activities.

Fats, Oils and Spreads

(Analysis and comments are relevant to both the USA and Canada unless otherwise noted).

The consumption of fats, oils and spreads in both the USA and Canada remains high and consumption, as highlighted above, is continuing to increase in both countries, although the emphasis on consumption has moved towards healthier fats in recent years. Overall it is assessed that in kilograms on a per capita basis the US population will consume 30 kilograms of fats, oils and spreads annually, with the average Canadian consuming 27 kilograms. On a calorie basis, adjusted for waste and spoilage, relative to the overall average intake of calories per day in each country, US consumers get 681 calories from fat or 25% of their daily intake, compared to Canadians who get 419 calories from fat or 17% of their daily intake.

The fats, oils and spreads market in both the USA and Canada is essentially, split into three main areas, butter and spreads, shortening and cooking oil, with usage of products in each area largely being dependent on the intended application. However, olive oil largely competes primarily for its share of the market for use in salad dressings, marinades, sautés, grills, deep frying and baking. On a secondary basis, olive oil competes with butter and other spreads for use as a topping on bread, pasta and potatoes for instance, or for some pan-frying applications.



Health is the key driver of both new product formulation and also consumer choice in the fats, oils and spreads market. Indeed, the increasing focus of US and Canadian consumers on a healthy diet is one of the main reasons why olive oil has seen such rapid sales growth over recent years.

However, it took until 2003 for the vast majority of US and Canadian consumers to even become aware that hydrogenated oils and associated trans-fat levels were even bad for them and thereafter government legislation at both a federal and state level was passed relatively quickly to control trans-fat content in foodstuffs. For instance, in 2006, the US government legislated that trans-fat levels must be displayed on nutrition panels, with products containing less than 0.5 grams of trans-fat per serving, being able to claim that they contained “Zero grams of trans-fat”, whilst those products that were fully free of trans-fats could claim that they were “Trans-fat Free.” In 2007, Health Canada proposed a strict limit on trans-fats in oils and processed foods, giving manufacturers two years to make progress towards reducing trans-fat levels, and subsequent legislation has been enacted to severely limit trans-fat levels across all foodstuffs.

In November 2008, the city of New York banned restaurants from using trans-fats in food preparation, while other states and municipalities have also passed similar laws subsequently. However, no federal legislation has been mooted at this stage, and most manufacturers have independently taken steps to remove trans-fats without waiting for regulation, as consumer demand has dictated that in order to retain market share that such steps effectively become mandatory anyway.

While the focus on trans-fat content has been good for olive oil, its image and its sales, it has also not had the effect of eliminating competition from the market place. Products like shortening and margarine for example, have been reformulated and thus remain in competition with naturally trans-fat free products such as olive oil.



Similarly, other fats and spreads are also using the benefits of olive oil as a halo effect for their own products, by infusing small amounts of olive oil into existing formulations, thereby allowing the claim to be made that their products do contain olive oil, and thus, create in the mind of the consumer the idea that the product concerned actually has the same health benefits as olive oil (which due to the quantities of olive oil contained for the vast majority of products is certainly not the case). These types of claims resonate particularly with consumers who do not want to change away from products with which they are familiar, and with consumers who are confused by the diversity of the olive oil category.



Further, what these products also create in the mind of the consumer is confusion about health benefits and health claims and their relative importance – particularly when the main health benefit being promoted is contrary or different to that associated with olive oil. This means that consumers are constantly being asked to absorb new information about fats, which when supported by major brand marketing budgets, ultimately dilutes the positive messages associated with olive oil.



KEY INSIGHT – FATS, OILS AND SPREADS

Effectively, what this means for olive oil is that despite its inherent natural benefits compared to other spreadable fats and shortening products, it can not expect to continue to take share of the US or Canadian market from these categories based on the assumption that consumers will miraculously continue to switch products and brands, and without the expectation that incumbent brands will continue to innovate and adapt their messages to satisfy consumer need states. It can only be expected that other spreads and fats will continue to evolve their products and adopt more aggressive market behaviours over the next few years in order to protect brand and company shares, making it more difficult for olive oil to gain penetration in secondary usage applications in particular. Olive oil accordingly needs to ensure that its messages are at the forefront of consumer thinking and are constantly evolved to resonate with consumer need states.

Cooking Oils

Growth in olive oil consumption in the USA and Canada over recent years, when compared with other cooking oils, as opposed to spreadable fats and shortening, has also been driven by increased consumer awareness of the benefits of a healthy diet – and hence consumers seeking out “better-for-you” products. However, growth in olive oil consumption, in comparison to other cooking oils, will slow in the period leading up to 2013, as olive oil can no longer claim to be the most healthy oil simply on the basis of its mono-unsaturated fat content.

Indeed, olive oil is no longer the only oil with a US Food and Drug Administration (FDA) approved heart-health claim, with both canola and corn oils able now to make similar claims.

Effective November, 2004, the US FDA allowed OLIVE oil products to carry the following claim:

*Limited and not conclusive scientific evidence suggests that eating about **2 tablespoons (23 grams)** of olive oil daily may reduce the risk of coronary heart disease due to the **monounsaturated** fat in olive oil. To achieve this possible benefit, olive oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of olive oil.*

Effective in 2007, the US FDA allowed CANOLA oil products to carry the following claim:

*Limited and not conclusive scientific evidence suggests that eating about **1 1/2 tablespoons (19 grams)** of canola oil daily may reduce the risk of coronary heart disease due to the **unsaturated** fat content in canola oil. To achieve this possible benefit, canola oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of canola oil.*

Effective in 2007, the US FDA allowed CORN oil products to carry the following claim:

***Very** limited and preliminary scientific evidence suggests that eating about **1 tablespoon (16 grams)** of corn oil daily may reduce the risk of **heart disease** due to the **unsaturated** fat content in corn oil. FDA concludes that there is little scientific evidence supporting this claim. To achieve this possible benefit, corn oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of corn oil.*

As of October 2009, the only brand of olive oil sold in North American supermarkets which carried the approved heart-health claim on their packaging was Felipo Berio. Other brands, such as Pompeian make claims such as:

“As a key component of a healthy Mediterranean diet, olive oil is cholesterol free, trans-fat free and high in “good” mono-unsaturated fat.

Accordingly, as with spreadable fats and shortening products, competing cooking oils to olive oil are making fresh health claims and are promoting the extended benefits of their products into areas such as brain- and eye-health. Many of these oils have been infused and enriched with omega-3 and omega-6. Even traditional olive oil brands such as Pompeian are marketing oil blends, such as Canola Oil with Extra Virgin Olive Oil, in order to promote and take advantage of these extended health claims. The Pompeian website for example, extols the virtues of DHA, an omega-3 fatty acid, by claiming that:

“A high intake of DHA was associated with a thirty per cent reduction in age-related macular degeneration according to a meta-analysis reported in the Archives of Ophthalmology in June 2008.”



As a result, many of these products have resonated strongly with consumers and have gained several points of market share over the course of 2009 in particular, according to both AC Nielsen and IRI.

As such, olive oil producers and wholesalers need to be able to develop a consistent and homogenous strategy to be able to counter the claims of the new blended and enriched oils. The North American diet has changed from a focus on short-term weight loss, to a longer-term view that looks at health holistically. As such, the key message to be embodied in all communications is the fact that olive oil in itself is “naturally healthy” and as such does not need to be modified in order to deliver health outcomes to consumers.

The following table shows the main health benefits that the leading cooking oils and blends can claim to deliver in the North American market. Smart Balance is a blend of canola, soy and olive oils; Pompeian OlivExtra Plus combines canola oil and extra virgin olive oil; while Crisco is effectively canola oil with enriched Omega-3. Lastly, the vegetable based version of Mazola Plus! contains both soy and canola, with the corn version containing both corn oil and canola. This last variety is priced extremely competitively and a core consumer group is the Hispanic community in the USA, which traditionally uses corn oil for its cooking requirements.

Table 16: Health Claims by type of cooking oil						
Type of Oil > >	Olive	Canola	Smart Balance	Pompeian OlivExtra Plus	Crisco with Omega-3	Mazola Plus!
Health Claim						
High in monounsaturated fat						
≥10% RDV of vitamin E						
Omega-3 ALA						
Enriched with Omega-3 DHA for healthy brain, heart, eyes						
Low Omega-6 to -3 ratio						
Chemical-free milling						
Richest in olive oil's natural antioxidants / polyphenols	Naturally Healthy					
Qualifies for the MedMark seal (Mediterranean Diet)						

Hannaford Guiding Stars Programme:

In 2006, Delhaize, through its supermarket chain Hannaford, introduced a programme known as Guiding Stars, in order to provide health information to consumers on the different variety of products across a number of categories. Five different oils were considered to be top-rated and awarded a 3-star rating under the programme, with the following citations:

Olive Oil:

According to the FDA, consuming 2 tablespoons of olive oil a day may reduce risk of heart disease. You can get this possible benefit by using olive oil to replace a similar amount of saturated fat and by not increasing the total number of calories you eat in a day.

Canola Oil:

Canola oil is rich in healthy unsaturated fats and is the lowest in saturated fat (1 gram or less per serving) of any commonly used vegetable oils. Unsaturated fats have been linked to increases in good blood cholesterol (HDL) and decreases in bad cholesterol (LDL).

Avocado Oil:

Avocado oil contains good for you mono- and polyunsaturated fats and is full of Vitamin E. It is an oil that can be heated to high temperatures (500° F) - perfect for cooking.

Walnut Oil:

Walnut oil is loaded with essential polyunsaturated omega-3 fatty acids and contains little saturated fat. Research has shown that omega-3 fatty acids promote good heart health and can fight inflammation.

High Oleic Sunflower Oil:

High Oleic sunflower oil is light in taste and appearance and supplies more Vitamin E per serving than most vegetable oils. It is made up mostly of healthful mono-unsaturated fat and contains minimal saturated fat.

Olive oil has the highest percentage of mono-unsaturated fat as a percentage of total fat among all retail cooking oils. Mono-unsaturated fat reduces “bad” LDL cholesterol and increases “good” HDL cholesterol. Extra virgin olive oil, in particular can claim to contain a wide variety of polyphenols, termed descriptively as being “nature’s antioxidants”, and a chemical-free oil extraction process. Extra virgin olive oil contains more polyphenols than other varieties of olive oil, while it would also appear that the fresher the oil the greater the antioxidant properties. Similarly, olive oil, as maybe expected, is the only cooking oil which qualifies for the MedMark seal as an important component in the Mediterranean diet. However, it can not claim to have the optimal omega-6 to omega-3 ratio, and nor can it claim to have the lowest levels of saturated fats.

Conversely, canola oil can claim to have the lowest levels of saturated fats, the ideal omega-6 to omega-3 ratio (polyunsaturated fats that the human body actually needs, but can not produce naturally), due to the fact that it naturally contains omega-3 ALA, as well as one tablespoon providing up to 25% of the recommended daily requirement of Vitamin E (compared with 8% per tablespoon for olive oil). It needs to be noted that the benefits of Vitamin E, other than as an antioxidant, are yet to be fully determined. New varieties of canola (and also sunflower seeds) have been engineered to further enhance the properties of the resulting oil almost to a point of equivalence with olive oil in terms of monounsaturated fat content, with tests

and trials already being carried out in the foodservice industry. Accordingly, it can only be assumed that it will not be long before these varieties are introduced to the retail environment.

Canola is the number two crop produced in Canada, behind wheat, and has a very strong industry lobby supporting it both in the USA and Canada, particularly from the likes of Monsanto and Cargill, who have extensive canola seed technology and milling programmes. The Canola Council of Canada spends over \$1.5 million per annum alone on its canolainfo.org website and on direct marketing to influencers, such as dieticians and chefs.

Presently, Canada produces about 15% of the world's canola, and in 2006 exported about 70% of its annual production of nine million tonnes. The USA imports two-thirds of its canola requirements from Canada. Production is expected to reach 15 million tonnes in 2015, with annual average growth in output estimated to be six per cent per annum. Around one-third of the annual crop is converted into cooking oils, with the remainder being used for animal feed and increasingly bio-diesel.

Figure 11: Map of Canola Growing Regions in the USA and Canada



As with olive oil, the growth in the usage of canola oil has been driven largely by consumer demand for trans-fat free products and for an improvement in overall diet and health. As such in addition to retail cooking oil sales, canola usage is also growing in the manufacture of processed foods as well as in foodservice where it is used as a cost effective replacement for hydrogenated soy oil. Due to its high heat stability canola oil does not require hydrogenation and can be used successfully as a repeat use frying oil.

Given its importance as a cash crop to the Canadian economy, it is not surprising that canola dominates retail sales of cooking oils in Canada, with its share of market being just under 50%, at 194 million litres.

This means that given the health claims that canola can make, and its price positioning, that it will be difficult for olive oil to challenge this position of dominance – unless there is increased concern about the increasing genetic modification inherent in its production, and the chemical refining process to which the oil is subjected.

Conversely, in the USA, the largest share of the cooking oil market is held by soy oil, which currently has 32% of the retail market worth 334 million litres in 2009. Soy oil does not have the health benefits that either olive oil or canola oil can claim, and as such represents in many ways the best opportunity for switching usage amongst consumers in the USA. The similar opportunity in Canada is currently 57 million litres. Further, US farmers are increasingly switching production of soy beans away from the cooking oil market towards the bio-diesel market – potentially reducing supply availability and also raising the prices currently paid for soy beans, and thus soy oil.

On a per household retail basis, US households consume 5.7 litres of cooking oils per annum, of which 3.0 litres are essentially available for switching from soy oil, while in Canada the equivalent figures are 18.4 litres and 4.4 litres. This means that in actual available market terms, nearly 53% of potential retail consumption is available to olive oil in the USA, compared with only 24% of the market in Canada – emphasising that the USA, not only from a volume perspective, but also from a penetration perspective offers olive oil producers a considerably greater opportunity for growth than that available in Canada.

However, in order to realise this opportunity, olive oil needs to consistently be able to justify its high price premiums compared to both soy and canola oil. At present, olive oil attracts a price premium four times that of canola and soy in the USA, and three times that of canola and four times that of soy in Canada. One of the reasons for the price premiums being as high as they are is due to the growing and strong sales of extra virgin olive oil in both countries, relative to other olive oil varieties. Therefore, there is an opportunity to reduce the price gap quite considerably through better education of users about the applications and uses of olive oil, although this would also have the potential effect of removing some of the premium cache associated with olive oil, and may also dilute some of the all important health messages and benefits that consumers expect from the product.

KEY INSIGHT – COOKING OILS:

The real battle for share of the cooking oil market in North America based on the long-term health benefits of the products available is between canola oil and olive oil. Because of the embedded presence of canola in both Canada and the USA, and the health claims that canola can make to rival olive oil, it will be extremely difficult for olive oil producers to be able to secure retail volume growth at the expense of canola oil.

The opportunity for olive oil volume growth will largely have to come from encouraging users of less healthy oil products, such as soy oil to switch to olive oil instead of switching to canola. This represented 391 million litres of oil in 2009 across the North American market. However, it is the US retail consumer that provides the greatest potential for growth, with 52% of the average US household's usage of cooking oils being available for conversion. With usage of olive oil per capita being only a quarter of Australian levels, and less than half UK levels in the USA, the key opportunity for the International Olive Council lies in encouraging US consumers to incrementally increase their usage of olive oil beyond existing levels – a rise in consumption of 200 millilitres per annum would grow the size of the olive oil market by 614,000 hectolitres – equivalent to 63% of the total retail market in 2009. As such, any North American marketing activities should focus primarily on the US consumer first, with increases in Canadian volumes being treated as almost being incremental. The added benefit of such an approach will be that the growth of the olive oil market domestically in the USA will encourage the development of the local olive oil industry in California, and will also ensure that within the bounds of the overall competitive market for cooking oils that a price premium is maintained for imported olive oil too.

Olive Oil

Field Reichardt of the Organic Olive Oil Company sums up the attitudes of North American consumers towards olive oil when he draws parallels between olive oil and the wine industry in North America in the 1970s. That is, consumers know large, less expensive brands, but they are just beginning to hear about good, distinctive products that are available and how these products should be best consumed. Consumers in the USA and Canada today think nothing about paying a price premium for high quality wines, and as Reichardt points out the same trend is becoming apparent in the market for olive oil.

However, as with the evolution of the wine industry, there are key marketing and development steps and processes that need to be implemented in order ensure the key benefits of olive oil are effectively communicated to consumers and that knowledge of the varieties, usage and applications of olive oil are more broadly known and understood by consumers. This will ensure that in spite of competition from other cooking oils that olive oil is able to maintain its price premium in both the US and Canadian markets.

The market in both countries is already skewed heavily towards the premium end of the market, with 58 per cent of volume sales being for extra virgin olive oil in 2009, an increase of 11 per cent when compared with 2003. Much of this increase in volume can be attributed to the influence of television cooking shows, and other media coverage which has served to highlight the benefits of extra virgin olive oil's flavour and also health benefits.

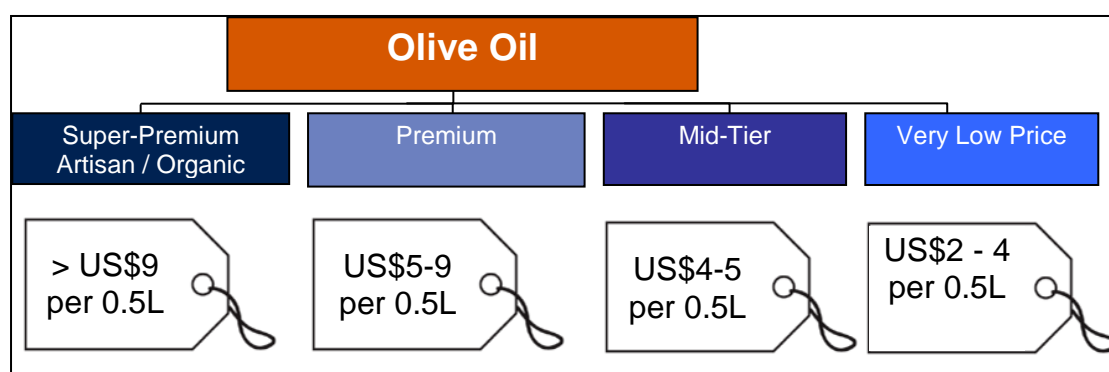
The recent and strong growth of olive oil consumption and usage has also resulted in a rather confused structure to the retail market. For instance, many consumers still have great difficulty in understanding the differences between extra virgin, pure and extra light varieties of olive oil, while the rapid proliferation of product options has increased at a faster rate than the mass of consumers' ability to understand them, especially as many shoppers are relatively new to the category.

This means that typical segmentations found in a mature category, such as brand, country of origin and flavour preferences, are absent when considering olive oil in both the USA and Canada. For example, when flavour is considered there is no consistent labelling across brands that would allow for olive oil to be described as mild, medium, robust, bold, fruity, peppery, buttery or spicy. Similarly, consumers are unable to differentiate between olive oil, which is golden and nutty from Spain, compared with oil that is dark green, grassy and herbal from Italy. This is highlighted by the fact that only 39 per cent of users of olive oil in the past three months say that they feel knowledgeable about olive oil, meaning that the majority of regular users of oil are actually approaching the category blind.

This lack of distinction makes shopping for olive oil particularly difficult as consumers have no reference points for their purchasing decisions and thus an increasing polarisation in the market. A third of consumers state that they buy more expensive olive oils as they expect the product to be better, whilst a third of consumers state that they buy whatever is cheapest as they believe all olive oils to be the same. This means, for example, that a consumer can be confronted with a Botticelli branded 100% pure olive oil being retailed for under \$10 for a two-litre tin, while at the same time being offered an artisanal extra virgin olive oil with a price point of \$15 per litre. Similarly, across 2008 and 2009, brands such as Capatriti, Kalamata and Bonelli were frequently selling oil for as low as \$2 per litre.

As a result of the confusion, familiar brands in the fats, oils and spreads category have been able to extend their product lines and enter the olive oil category, the most prominent of these being Crisco and Mazola, who now have offerings that are positioned to compete against long-standing brands such as Pompeian, and have gained between them a 3.5 per cent share of the market since their entry in 2005. Simultaneously, the confusion has also allowed for the entry of private label brands into the market, supported by the increasingly direct relationship that retailers can have with grower co-operatives, particularly in Europe. As illustrated below, this has allowed for some rather general price points for product types and brands to evolve across the market, but it would appear that at this stage there is no clear point of differentiation in the mind of the consumer, and therefore alignment between product type and consumer segmentation by olive oil brands and producers in the USA and Canada is neither clear nor apparent.

Figure 12: US Retail Price Structure for Olive Oil



Effectively what all of this means, is that consumers who are initially drawn to the category due to its health benefits are often left confused after their first purchase. This means that once a brand is chosen and if that brand offers a flavour that meets the palette of the consumer, then there is little or no incentive to trade-up to a product that actually might be better suited to the consumer's requirements. This is a dangerous situation for the olive oil category overall, as it means that consumers are always likely to be prone to trade down if their existing brand is perceived to be becoming too expensive relative to other available products, and also there is little incentive to experiment within the category and trade-up due to a lack of education and information.

For example, flavour is given by consumers as being the most important attribute that olive oil and an olive oil brand can have. However, as mentioned above there is little or no way of telling the flavour of an olive oil in a clear manner. Whereas in Spain, descriptions such as "sauve" (mellow) or "sabor intenso" (strongly flavoured) are sufficient for the better olive oil educated and culturally aware Spanish consumer, in the USA, such descriptions are too vague – as is demonstrated by the frequent usage of terms such as mild, medium, robust and rich on olive oil packaging currently. All these adjectives are vague and will have different associations for different consumers.



Further, some brand websites try to differentiate growing region by flavour characteristic, the Spanish and Italian descriptions given above, being two such examples. Yet, none of the main brands sold in US and Canadian supermarkets provide are labelled clearly with a growing region or DOP, except occasionally in small print on the back label.

Another example of the fact that consumers do not consider olive oil brands to be interchangeable, is reflected by the relatively low penetration rate that private label brands have in the olive oil category. Private label brands are typically the lowest priced in any category in US and Canadian supermarkets, and as such will capture the price sensitive consumer when it is perceived that there is no benefit to be had from purchasing a higher priced product. Whereas, in most cooking oil categories, private label sales account for over 50 per cent of total retail volumes - in olive oil the equivalent figure in 2009 was only 25 per cent - although with private label sales growing at nearly double the rate of the overall market at 9 per cent. Once again, this highlights the importance of flavour to the consumer and that unless education is improved the lower price solutions in a category will become increasingly dominant, reducing margins across the supply chain and meaning that olive oil will become engaged in a price-only battle with other cooking oils that it ultimately can not win.

KEY INSIGHT – OLIVE OIL

As with wine in the 1970s and the 1980s, there is no cultural heritage of olive oil consumption in the USA and Canada, except among the French community in Quebec. As such, knowledge of olive oil, its varieties, flavours and uses is at best limited among US and Canadian consumers. It could also be reasonably assumed that even those consumers who claim to have knowledge of the category are probably to a certain extent misinformed.

With a growing number of US and Canadian consumers changing to olive oil because of its acknowledged health benefits, it is vital that if consumption of olive oil is to increase and if olive oil is to be used in a wider variety of applications in the home, that consumer knowledge of the category is improved. This will encourage consumers to trade-up and will ensure that the correct benefit is derived from their olive oil choice and selection – ensuring that purchases are not limited solely to a brand and flavour combination, and therefore less likely to be subject to price cannibalisation as cheaper products and private label attempt to increase their share of a growing category.

The lack of an authoritative voice that can guide and educate consumers is a void that the International Olive Council needs to fix, but any such communication directly to consumers can only be conducted in tandem with producers, manufacturers and wholesalers in order to ensure that there is commonality of message and a standard that consumers can reference when judging the merits of which olive oil they should buy. The most effective way of communicating this information would be through a dedicated North American olive oil website and an in-store pamphlet campaign that reaches consumers in an unbiased and un-brand specific manner, preferably supported and by leading brands and producers in the market.

If this can not be achieved, then the olive industry will potentially make the same mistakes as the wine industry. Despite the relative success of the wine industry to secure and drive volumes, since the 1970s, particularly due to the development of a strong local industry, sales continue to be lost, particularly by European suppliers to the market, as many French, Italian and Spanish producers and brands refuse to comply with labelling and branding norms needed to succeed in the USA and Canada. Given the competition from other cooking oils this is a mistake that the olive oil industry can not afford to make.

Olive Oil - Retail Product Innovation Trends

As with other categories of products, new product development initiatives are going to be crucial in order to ensure the relevance of olive oil to consumers moving into the future. The fact that olive oil can deliver health benefits that at least match or are often superior to those of other oils will not be enough to ensure that sales volumes continue to increase into the future, and certainly will not be enough to ensure that price premiums over other cooking oil products are justified and maintained.

This is because consumers increasingly have to process and satisfy many different demands and need states when determining which types of products to buy. For example, where does a consumer's priority lie when having to choose between a product that is personally more healthy, versus a product that is environmentally more sound?

As such, it is important that olive oil is able to satisfy a variety of need states and satisfy a diverse range of consumer trends; in particular, a key focus now and in coming years will be on the sustainability and the effectiveness of packaging. According to ACNielsen, in 2008, 86 per cent of all olive oil was sold in glass containers or jars, rising from 72 per cent in 2000. Most of this change in format has come at the expense of tin, which other than for low price olive oil, often sold in bulk packaging has all but disappeared from US and Canadian supermarket shelves. One of the reasons that tin was maintained for bulk package sizes was due to the weight and vulnerability of a glass container that could hold 1.5 litres or more of olive oil. However, since 2008, many private label brands (including Walmart) and Pompeian have introduced olive oil in PET bottles. The main reason for this change was because PET is more environmentally friendly than glass. Due to its weight, products packaged in PET benefit from reduced transport costs and also suffer less damage in transit than products packaged in glass. Similarly, PET is actually more efficient and easier to recycle than glass.

Another important benefit of the change from glass to PET is the ability of retailers to be able to provide olive oil in large packaging formats, eliminating tin from category line-ups altogether. Between 2004 and 2008, 40% of all olive oil sales were in half-litre or smaller bottle sizes. However, as the acceptance and usage of olive oil has grown, consumers have demanded and moved to larger format packaging. Costco, for example, are now providing their Kirkland olive oil in 2-litre PET bottles – something they could not have done successfully using glass.

In October 2009, it was hypothesised in Private Label Buyer magazine, that because of Walmart's shift towards PET packaging, that the vast majority of retailers will have to follow suit over the next twelve months and begin the process of eliminating as much glass as possible from the olive oil category. The only resistance was seen as coming from the very top end of the market with upscale grocers, specialty stores and organic retailers continuing to satisfy what is effectively an artisanal niche.

The shift to PET packaging also signals a shift towards the mass market and therefore the commoditisation of olive oil. Indicative of this trend is that in 2009, volume sales of olive oil increased seven per cent in North America, and yet value sales only rose by three per cent. As mentioned in the previous section, olive oil can not expect to maintain and command a price premium over other types of cooking oil unless it is able to leverage its heritage and its diversity – and this can only be done through consumer education, which in turn will drive increased usage of the product. However, as olive oil becomes an increasingly mass market product it becomes more difficult to be able to educate the consumer in a mass retail environment.

Olive oil specialty stores and gourmet food stores thus become important venues for the education of consumers and a key bulkhead in the battle to avert wholesale price decreases across the market. In 2009, 25% of all olive oil was sold through channels other than Walmart and the mainstream supermarkets, with so-called premium food chains (such as Trader Joe's and The Fresh Market) and niche gourmet individual or chain outlets (such as Oil & Vinegar) leading the way in terms of providing more in-depth knowledge about the products in-store. Store personnel are actually product experts and are trained to advise consumers, providing a service that the likes of a Walmart can not hope to possibly or even want to deliver. Through ensuring that consumers are educated about the types and varieties of olive oil and how best to use different varieties in an at-home environment, prices and margins can be protected.

It is also important that the core elements of consumer demand are also satisfied. Just because specialty retailers are able to talk knowledgeably to consumers about a product does not mean that producers can ignore the basics of ensuring that flavour, region and origin and freshness are ignored from a labelling and communication stand point. Only a small number of consumers will fully recall what they were told in-store when buying olive oil, and as such need a point of reference to refer back to when they ultimately decide to use the oil they have purchased.

Further high-end and premium players need to be driving the innovation agenda in order to ensure that the category is seen as being alive. Ultimately, this will have trade-offs throughout the category as a whole too. Supermarkets and hypermarkets only stock products that deliver the best profit per square foot – and as such product innovation becomes a core driver of category sales growth and also margins for retailers.

Some examples of best practice innovation in olive oil seen in 2008 and 2009 in the USA and Canada are as follows:

Packaging innovation can help olive oil justify its premium pricing versus soy oil, differentiate high-versus low-priced brands, and overcome the inconvenience barrier:



- Crisco offers a measuring cap / lid that drains back into the jug. Something like this could be ideal for olive oil, to encourage the “2 tablespoons per day” habit and also helps to reduce waste.



- Santini (a popular brand carried by Trader Joe's) comes with a pour spout attached. Dipping dishes could also be another co-packing option.



- Packing several small bottles of different flavors of olive oil enables consumers to try more varieties. In most categories, variety experimentation tends to increase total category usage.



- Co-packing olive oil with seasonings to make the product more "ready-to-use" with pasta, bread, etc. would address consumer demand for increased convenience.

Flavored oils, fresher oils, and oils from new regions may bring needed fresh variety and impulse sales to the olive oil shelf-section



- **Flavors**
 - Extra virgin olive oil crushed with lemons, oranges, basil, and garlic are currently available only in gourmet shops, but could have mass market appeal.



- **New regions**

- Mediterranean olive oils can offer a variety of DOPs
- Oils from Australia, such as Ollo, may grow in popularity in the USA as wines from Australia did several years ago – the marketing heritage exists to make this happen.



- **Freshness**

- California growers and some importers are offering “Olio Nuovo”, or new harvest oils, usually over the internet. This sort of “limited time” offering has been very successful in driving incremental sales in a variety of US food categories from wine to soft drinks to confectionery.
- Southern Hemisphere growers want to emphasize the freshness of their summer-harvest oils versus winter-harvest oils from the Mediterranean

KEY INSIGHT – OLIVE OIL – RETAIL PRODUCT INNOVATION TRENDS

The mantra for much of the fast moving consumer products industry is innovate or die. This is something that the olive oil industry can not ignore, in spite of the fact that the core product seemingly has irrefutable benefits and advantages to consumers. Consumer and shopper purchasing decisions are influenced by a variety of often competing and conflicting trends and as such it is important that olive oil endeavours to satisfy as many of these trends as possible in terms of packaging, flavour, convenience as well as health. As such, the olive oil category must look to leverage the influences and drivers of behaviour in a manner that keeps the category alive and relevant to consumers in order to avoid commoditisation and ensures that price premiums, as the category goes mass, are maintained and justifiable. This can be achieved by ensuring consistency and clarity of messaging, as outlined in the previous section of this report, and also through ensuring that product offerings, particularly at the higher end of the category are innovative and of continuous appeal to pioneer and early adopters, who by definition are always looking to seek out new and sensory experiences.

While the International Olive Council can not directly influence or impact the new product development strategies of olive oil producers, it can use tools such as sections of a consumer focussed information website (including sponsored links), category influencers (such as high profile chefs) and social media sites to raise awareness of new drivers across the category in order to keep the category alive and to ensure that product relevance is maintained. Uniquely, among cooking oils, olive oil is able to highlight these points of difference and straddle the divide between indulgence, luxury and practical application.

Foodservice Landscape – Olive Oil

The foodservice market, while being significantly larger than the retail market, due to the predominance of US consumer out-of-home dining occasions, does not provide the opportunities offered by retail consumption in either the USA or Canada.

In 2009, the foodservice market in the US and Canada for olive oil was worth \$742 million at operator buying prices (the price that a foodservice establishment pays for the olive oil it receives), while food service establishments used over 2 million hectolitres of olive oil. The USA accounted for 92 per cent of the volume used, and 90 per cent of the value spend. Overall, foodservice absorbed 64% of the olive oil used in North America.

However, volume growth opportunities are not as readily apparent in the foodservice industry as they are in retail – and what opportunities do exist will be far more difficult to influence than in the retail market. This is largely due to the structure of the foodservice industry in North America, and in particular in the USA, which is dominated by quick service and takeaway establishments, which use the majority of the oil they purchase for repeated deep frying at high temperatures – an application for which olive oil is not best suited. An indication of the change in the market dynamic that further supports the assumption that the best target market for olive oil growth is in retail, can be seen by the fact in 2004, foodservice consumption accounted for nearly 66 per cent of total volumes, a figure which will decline to below 62 per cent by 2013. This shift in the market is taking place before the International Olive Council commences any promotional activities in the USA and Canada, and essentially looks to be irreversible as the effect is driven by the structure of the food service industry overall and is not a factor that olive oil in itself can influence.

Despite the decline in foodservice volumes as a proportion of overall sales, volumes of foodservice olive oil will continue to rise at an average annual rate of two per cent between 2008 and 2013, with nearly 172,000 additional hectolitres being used by 2013 compared with 2009. However, average annual value increases will be well under two per cent, signalling a period of real price decline for operators dependent on foodservice for the bulk of their volume sales.

The following section of this report will provide an overview of the dynamics of the foodservice market in the USA and Canada for olive oil, and will examine some of the possible opportunities for increases in olive oil volumes relative to other cooking oils. It will also look at where the opportunity exists for the International Olive Council to influence greater levels of consumption through its promotional activities.

Cooking Oil and Olive Oil in Foodservice

The foodservice market in the USA and Canada is divided into two distinct parts – the “for profit” sector, being foodservice outlets such as restaurants and bars that are established in order to make a profit from the provision of food and beverages to their clients; and the “not-for-profit” sector which has to provide food as part of an inherent service provision, which includes establishments such as hospitals, welfare institutions, in some instances workplace cafeterias and associated outlets.

It is estimated that in 2009, there were in excess of 1.1 million food service outlets across the USA and Canada, with 93% of these establishments being found in the USA. The “for profit” sector accounted for 73% of all outlets, and was responsible for 71% of all food and beverage purchases made by foodservice establishments.

The two largest “for profit” channels were full service and quick service restaurants, which accounted for 64% of all “for profit” outlets in the USA (73% of total sales), and 54% of all “for profit” outlets in Canada (65% of total sales).

Usage of olive oil in the foodservice market in both the USA and Canada, due to its high price compared to other cooking oils, skews towards the high-end of the food service market, where it already has strong levels of penetration. Indeed, there is a strong link between the increase in high-end dining out occasions among consumers in the 1980s and 1990s driven by higher disposable incomes, and increased consumption of olive oil both in foodservice (as more outlets were established) and accordingly higher levels of olive oil consumption through retail, as consumers looked to replicate the “out-of-home” meal experience.

Olive oil is largely used in high-end restaurants as part of the traditional preparation and formulation of ethnic dishes, for example in Italian restaurants, or for the preparation of vinaigrettes and sautés. This means that out of the 264,499 full service restaurants in the USA for instance, probably no more than 13% (approximately 35,000 establishments) would be using olive oil as their major oil. It should be noted that many full service restaurants from a menu perspective do not differ greatly to quick service restaurants, such as the likes of a Wendys, Burger King or McDonalds, particularly in the USA. For example, chains such as Dennys, which offer full table service, are in fact nothing more than glorified burger restaurants, designed to satisfy the US consumers urge for convenience, value and casual dining.

This means that for the majority of full service restaurants, as with quick service restaurants, use cooking oils for repeated deep-frying and high temperatures, making olive oil not only costly, but also too expensive to use relative to the likes of canola, corn oil and soy oil. In fact, most of these oil types have varieties and formulations that have been specifically designed for the foodservice industry, in particular allowing for maximum repeated usage without loss of flavour.

However, this does not mean that opportunities do not exist for increased usage of olive oil within the casual dining sector, in particular in more upscale bars or bistros that offer fusion cuisine for example. A catalyst for securing greater penetration in outlets of these types is provided by the same health and nutrition drivers that have helped to spark retail sales growth in recent years, particularly as restaurant servings and menu items tend to be higher in calories than meals and foods prepared at home.

Consequently, consumers are beginning to demand the same level of transparency from restaurant meals as they get from packaged foodstuffs. A telephone survey conducted in June 2009, found that 65% of North
Study on the promotion of consumption of olive oil and olives in the
USA and Canada

American consumers would like to see nutritional information that went beyond calorie counts on restaurant menus, with 40% saying it would be desirable to have a full nutrition panel similar to that found on packaged food. This is supported by findings of the National Restaurant Association, which reported that 27% of adults went on-line to find nutritional information on restaurant food, up from 24% in 2007.

At present, restaurants are not required to provide nutritional information about any product they serve, unless they make a specific nutrition or health claim about the menu item. However, the Keystone Centre (a not-for-profit organisation contracted by the FDA) recommended that it should be mandatory for restaurants to promote lower calorie foods, while also providing calorific information that is both standardised and easy to use. In a similar vein the National Restaurant Association, the Product Marketing Association and the Foodservice Distributors Association have combined to work with their members to double the usage of fresh produce across foodservice establishments by 2020.

Both of these initiatives do offer opportunities for the olive industry to expand its customer base in the foodservice industry across the USA and Canada and secure increased volumes from the casual dining sector. It is anticipated that as a result of the economic downturn and the weak recovery that will be seen in both countries that high-end full service dining will experience an extended decline in patronage – contributing in part to the slower than expected growth of olive oil usage in foodservice. Indeed, it is estimated that ten per cent of upscale restaurants closed their doors across 2008 and 2009. Therefore, the olive oil industry needs to find ways to be able to ensure that the health benefits of its products are extended beyond its traditional customer base. A means of doing this is to work with the three associations named above to work on a certification programme that would allow restaurants and foodservice establishments to display their health credentials on menus and in marketing literature based on the usage of olive oil in the preparation of meals, while similarly working directly with chefs to provide them with recipe and meal ideas that they can then use and modify back as part of their menu development and formulation.

KEY INSIGHT – OLIVE OIL – FOODSERVICE LANDSCAPE:

Olive oil does not have the same applicability and headroom for growth in foodservice that it has in retail and at-home meal preparation and occasions in the USA and Canada. This is because in its traditional market of high-end full service restaurants it is already to a greater or lesser extent the cooking oil of choice.

Conversely, it will be very difficult for applications in quick service restaurants to be changed to use olive oil due to reasons of cost and also due to the types of usage for which olive oil is largely unsuitable.

As such the growth areas for olive oil in the foodservice sector will come from the emerging and growing casual dining market, leveraging the growing consumer desire for healthy servings and options, not just in consumer packaged foods, but increasingly on restaurant menus.

It is difficult to change and drive trends in the foodservice industry, as such the International Olive Council should look to explore how it can work within the frameworks of existing initiatives such as the tri-partite association project to increase fresh produce volumes in foodservice, while simultaneously promoting the health benefits and health messages that olive oil can uniquely communicate.

This could involve the creation of a healthy certification programme for participating restaurants, and could involve the training of chefs, particularly in target casual dining establishments about the uses of olive oil in specific types of recipe or formulation.

As with other suggested activities already detailed in this report, such a move would allow once again for consistency of messaging to reach consumers, and would also ensure that olive oil is able to maintain its premium status among cooking oils as it would broaden the awareness of consumers in terms of the uses and applications of olive oil – potentially having the double benefit of spurring greater at-home usage as consumers look to further replicate their out-of-home dining experience.

In order to assist in this regard, menu suggestion cards could be provided as point-of-sale materials in retail outlets, referencing restaurants that are participating in the certification programme as well – thereby maximising cross-promotional activities and the associated benefits.

Retail and Competitive Landscape – Table Olives

There is a clear divergence between table olive consumption in the USA compared with table olive consumption in Canada. Whereas, the Canadian table olive market is continuing to grow slowly, the US table olive market is in a steady state of decline.

In 2009, retail consumers in the US and Canada spent nearly \$623 million on table olives, in so doing buying nearly 64,000 tonnes of product. However, volumes across North America have fallen by over 7,000 tonnes since 2004, and are expected to remain at best static compared to current levels when forecast out to 2013. This means that per capita consumption will continue fall by close to 5 per cent over the next five years once population growth is taken into consideration.

The US market, which in 2004 represented 87 per cent of retail consumption in North America is driving the decline in volumes and by 2013 will only have 82 per cent of total consumption – marking a significant variance between typical patterns of Canadian consumption for food and beverage products relative to the USA (with few exceptions across most product categories, the Canadian market is generally 10 per cent of the US market, indicative of the homogenous cultural nature of the two countries in many respects and their respective population sizes and standards of living). Even more alarmingly for suppliers of table olives to the US market, per capita consumption will have decreased by over 22 per cent between 2004 and 2013, while in Canada per consumption over the same period will have increased by 6.2 per cent.

Almost in parallel with the decline in table olive consumption in the USA, there has been a series of harvest failures in the Californian olive industry, resulting in a decline in domestic output, meaning that the domestic table olive industry has not been in a strong position to assist in arresting the seemingly inexorable decrease in volumes, and due to lack of supply has not been able to maintain export volumes to Canada, therefore taking advantage of that country's growing market.

Compared with olive oil there are few positive factors and influencers that are driving the consumption of table olives and therefore the bulk of North American consumption volumes in the USA, and as such the main focus needs to be understanding the occasions and locations of current consumption and ensuring that remaining table olive volumes are stabilised and not lost to substitute products.

The following section of this report will examine the dynamics of the retail market in the USA and Canada for table olives, and the key differences that distinguish the two markets, identifying why the Canadian market has seen steady growth and why the US market will continue to lose consumers for the foreseeable future. As part of this, there will be an assessment as to how US and Canadian consumers use and perceive table olives and where the opportunities exist for greater consumer penetration, and accordingly where the opportunity exists for the International Olive Council to influence table olive consumption through its promotional activities.

Table Olives – Retail Structure

(Analysis and comments are relevant to both the USA and Canada unless otherwise noted).

It seems somewhat ironic that as the volume of olives consumed in the USA is declining, the sophistication of retail presentation of table olives to entice consumers has improved dramatically.

Up until the late 1990s, table olives were exclusively located for sale in jars and cans as part of the condiments section of the average US or Canadian supermarket. However, with the advent of upscale supermarket chains such as Wegman's, The Fresh Market and Whole Foods, olives were made available in greater varieties as part of in-store delicatessens or in specific refrigerated olive bars located with other fresh fruit and vegetable products. Indeed, so popular has the olive bar become that in 2008, according to the Food Marketing Institute, 22 per cent of shoppers reported that their local supermarket had an olive bar - an increase from 18 per cent in 2006.

As such on the surface, it would seem that the olive bar should have driven increases in US olive consumption. The DeLallo Company of Jeanette, Pennsylvania report that their sales have increased 200 per cent since they expanded the breadth of their olive offering to service and supply olive bars. Similarly Chloe Foods, a subsidiary of Chloe Foods S.A., headquartered in Sparta, Greece, owns close to 2,000 hectares of olive trees in the Kalamata region and controls production from the tree to the table, supplying olive bars in the USA almost exclusively.

Once again, on the surface, the olive bar is an ideal place for producers and retailers to introduce new varieties of olives as these can be ordered and supplied in relatively small quantities, and unlike in packaged aisles in supermarkets major shelf resets and category layouts are not required. Similarly, for consumers who do not buy products from olive bars or salad bars generally on the grounds of hygiene, olive offerings from in-store delicatessens packaged on site and on demand in small cups, offer the same benefits to the producer, retailer and consumer of olives.

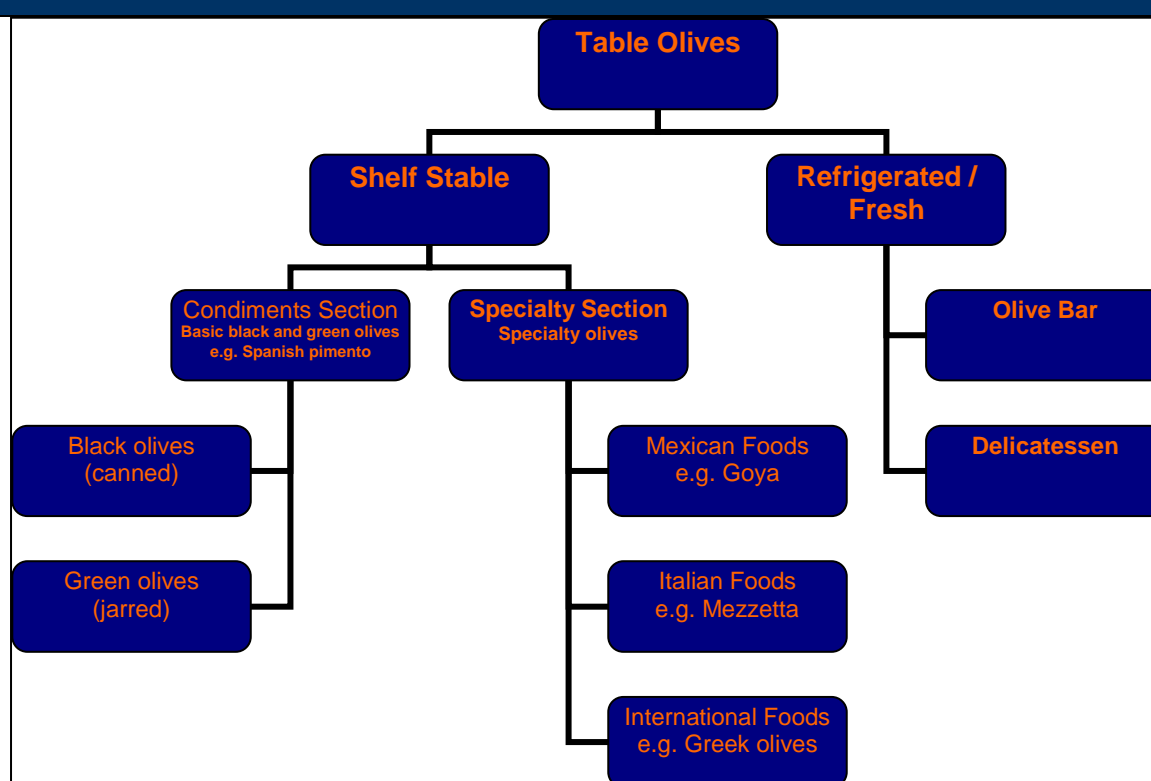
So with so many positive steps supposedly being taken to promote olives and satisfy the demand of olive consumers, why are table olive sales continuing to decline? The answer is due to consumer penetration. In a way, the olive bar is already a reflection of the fact that table olives have lost their mainstream appeal and have become a premium item that is only regularly purchased by typically more affluent consumers, who are willing to pay for a better quality product than they perceive they can get from a jar or can. In the same survey conducted by the Food Marketing Institute, half of consumers reported never making a purchase from an olive bar in their local supermarket, while a further 29 per cent reported only buying from an olive bar less than once a month. As such the volumes of table olives sold through olive bars and delicatessens have not offset the volumes lost through a decrease in sales of more traditional format olives – although prices per kilogram achieved have increased sharply reflecting the change in consumer purchasing dynamic. The average price per kilogram paid at retail for table olives in the USA rose from \$7.80 in 2004 to \$10.29 in 2009 – an average annual increase of over six per cent. By 2013, the average price per kilogram is expected to reach \$11.40. A similar pattern is also apparent in Canada, where prices will have risen from \$3.95 per kilogram in 2004 to \$5.45 per kilogram in 2013.

The decline in centre aisle sales for tinned and jarred table olives is not only a reflection on table olives, but is actually part of a wider trend away from canned and jarred produce generally in the USA and Canada, as

consumers look for either fresh, chilled or frozen produce, which is typically located in the outer aisles of most stores. As condiments are products that have lower purchase cycles than other goods (they are typically not something that are purchased every week) the need for a consumer to actually venture into the condiment aisle is minimised, as is the opportunity for impulse purchases. Further, as the intent to purchase a condiment product is normally prescribed, shoppers will similarly make a predetermined visit to the section, leaving it once they have found what they are after – once again providing barriers to impulse purchases.

Increasingly, in order to counter this decline, olives have also been located in-store in the ethnic foods sections of supermarkets. However, most ethnic food sections in US supermarkets are relatively small and lack visibility to consumers, and attempts to re-energise category sales in this manner have so far not yielded the desired results.

Figure 13: North American Retail Structure for Table Olives



Overall, therefore, according to both IRI and ACNielsen household penetration of table olives has decreased in the USA from 46 per cent in 2006, to 44 percent in 2008 and household purchase frequency for olives is limited to only 3.3 occasions per annum. Of even greater concern for olive brands however, is the fact that when consumers do purchase olives they have little or no brand preference. Two-thirds of consumers who purchased olives in the past six months said that they did not have preferred brand – implicitly stating that consumers see little quality, taste or image advantage among the brands available on shelf in the USA. It is hardly surprising therefore, that private label brands, such as Walmart's Great Value, now account for 60 per cent of packaged table olive sales in the USA.

KEY INSIGHT – TABLE OLIVES – RETAIL STRUCTURE:

Significant changes have taken place in North American retail with regards to how table olives are merchandised and sold over the past twenty years. In part these changes have been driven by overall positive shifts in consumer behaviour, with greater emphasis being placed on fresh, chilled and frozen foods, as well as a desire by consumers to purchase better quality and premium products. The downside is that traditional olive retail formats, such as jars and cans, now appear to be old-fashioned and can increasingly be found in less regularly visited parts of supermarkets, where in order to maximise profitability, shelf-space is dominated by private label offerings.

The trade off for the table olive industry in this change has been greater visibility for the product through olive bars and greater dollar spend among consumers who do consume olives on a regular basis – and hence better returns per kilogram and a market that is growing in value terms. The downside is that overall table olive consumption volumes in the USA are declining and for reasons to be examined in the next section will continue to do so for the foreseeable future. In Canada, the reverse is true and table olive consumption continues to rise as do average prices as consumers indulge in a wider variety and greater selection of olives.

The challenge for the US table olive industry is to work to stabilise consumption volumes in the short term through increased consumption frequency among already converted olive consumers, and to encourage more supermarkets to install olive bars in an attempt to offset the decline in centre aisle sales. In this case, it is the establishment of a business-to-business presence that is critical, and not a focus on the consumer. The International Olive Council can play an active role in working with the US olive industry to build a proposition that can be presented to retailers to encourage the construction of olive bars, and may also consider providing subsidies or similar marketing support to encourage their installation.

Table Olives – Drivers and Barriers to Consumption

As identified earlier in this report, there are major differences between the meal consumption behaviours of Americans and Canadians. Whereas 51 per cent of US food expenditure is made out of home, 75 per cent of Canadian food expenditure is made in retail and therefore is centred on food preparation or food consumption at home. As a result, 69 per cent of all Canadian evening meal occasions are prepared at home, compared to 31 per cent in the USA (20 per cent of US evening meals are convenience foods, 18 per cent are brought home pre-prepared, 26 per cent are eaten out of home, while five per cent of evening meal occasions are skipped altogether).

There is also a distinct ethnic and cultural make-up difference between the USA and Canada, which is actually widening on an ethnic basis as the USA becomes more and more influenced by its growing Hispanic community in particular. Canada's ethnic make-up is still dominated by European cultures, with 92 per cent of the population being made up of British, French and European communities, or people descended from combinations of those communities. This contrasts sharply with the USA, where nearly a quarter of the population is either African-American or Hispanic. As such, as the cultural influence of earlier generations of immigrants to the USA is diluted or homogenised into wider American society, so, similarly, are the rituals around meal occasions and food preferences and food types that were associated traditionally with a

particular ethnic group. In other words, a third generation Italian American is just as likely to eat pasta at home, as they are a burrito or other Latin influenced dish.

This combination of a decline in meal preparation occasions and the change in ethnic diversity and make up in the USA is the primary reason why table olive usage at home has decreased and will continue to decrease. The Hispanic community and African American community have very little cultural affinity with table olives (or indeed olive oil) and as such their intent to purchase is limited compared to the population overall. This is the key driver behind the decline in household penetration rates noted in the preceding section.

However, there are also other barriers to consumption that table olives, unlike olive oil can not easily overcome. Whereas, olive oil is seen as being a healthy product to use, table olives have almost the opposite image. For example, 19 per cent of US consumers and 21 per cent of consumers who have eaten olives at home in the past three months stated that their table olive consumption was limited by the fact that olives contain too much sodium. Reduction in salt intake is a major public health message being promoted in both countries currently, and as such consumers are taking pro-active steps to minimise sodium intake – in much the same way as they are looking to avoid bad fats.

Further, the percentage of calories in table olives derived from fat averages between 75 per cent and 90 per cent. This combined with the high sodium levels means that olives do not count towards the recommended “5 a day” servings of fruit and vegetables, according to the Food and Nutrition Service of the US Department of Agriculture. In spite of both of these points however, 75 per cent of at home olive consumers in the past three months believe that olives are healthy, despite having no supporting evidence to support this assertion. In contrast, only 55 per cent of non-olive consumers believe the fruit to be healthy.

When olives are compared to other popular snack foods in the USA, such as string cheese or potato chips for example, olives do contain better fats and similar levels of sodium, and as such could be positioned as a reasonable and satisfying alternative. However, without strong claims that can prove the health benefits of table olives, the ability of the US olive industry to be able to robustly defend its position in this regard would be extremely difficult, particularly as olives are also seen to lack convenience when compared to other foods consumed on snack occasions.

Consumers are eating more on-the-go snacks and are having fewer sit down at home meal occasions. They are also using more convenience foods when entertaining as well as for everyday meal occasions. As such, particularly for canned olives, there is an immediate problem of what to do with the olives once the can is opened as resealing the can is not possible, especially as olives are generally only good for a period of ten days after opening. Consumers naturally are averse to opening a whole container of what is considered to be an expensive product, only to eat a small proportion of the contents, with the inherent risk that the remainder of the can would need to be thrown away.

When contrasted with the innovations seen in the olive oil industry, the table olive industry appears to be lagging behind the trends that consumers clearly need to have satisfied. Further, adjacent categories that would compete with table olives for snacking occasions already have well defined product offerings to satisfy the convenience needs of consumers. For example, when it comes to home entertaining pre-assembled trays of meat, cheese, vegetables, crackers and dips are readily available from most supermarkets. For away-from-eating or on-the-go snacking, a wide variety of products are now available in single-serve

portions that can be opened and eaten easily whether at work or even driving, whilst more broadly there are pre-bagged salads, ready-to-bake pizzas and a myriad of other products available that pander towards the consumer need for time efficiency and multi-tasking.

Some olive producers have introduced more convenient products to the North American market, but these are not as yet widely available or distributed and as such are below the radar of most US consumers. For instance, some retailers now stock pre-assembled anti-pasto trays, containing olives; some pre-packaged olives are now available in re-sealable tubs, which as well as looking more modern, also gives the consumer a better perception of freshness; and packaged pre-sliced olives are also available for use in salads or as pizza toppings.

Another barrier to increasing at home consumption in both the USA and Canada is the consumption ritual that appears to be associated with the consumption of olives in both countries. Nearly a quarter of olive consumers, who said that they had eaten olives in the past twelve months, stated that they only ate olives a few times a year. Indeed, category seasonality appears to play a large part in retail sales volumes with sales increasing by over 30 per cent in November and December compared to other times of the year. This is borne out by the fact that 80 per cent of 12-month at home olive consumers stated that olives were a good thing to serve at holiday meals or when entertaining guests, as compared with only 50 per cent who said that olives were a good thing to serve with everyday meals. Two-thirds of this same group of survey respondents stated that their olive consumption was as a direct result of eating a salad or pizza that contained olives, while nearly half said that they had also eaten olives as a snack or appetizer – although more typically they would be more likely to eat vegetable and dips instead of olives, followed by meat, cheese and crackers.

The final barrier to sales growth in table olives is the vexed issue of taste. 40 per cent of consumers state that they will not eat olives in any form because they just simply can not abide the taste – this is in spite of the many flavour variations (marinated and stuffed olives) that have been introduced in recent years. This means that only 60 per cent of total consumers are accessible to the table olive industry.

However, what this also implies is that with household penetration for table olives assessed as being 44 per cent, there is an opportunity gap of 16 per cent that is currently not being reached by the industry for reasons associated either with nutrition, value, convenience or usage. By definition these households are potential consumers of olives, but are not buying olives in a retail environment. As this cohort represents more than 25 per cent of the available market in the USA and Canada, the fact that this group is disinclined to purchase when the market is in a state of decline, means that the marketing efforts of table olive producers and suppliers are clearly not satisfying the needs of consumers and unless these factors are addressed it will become increasingly difficult to even maintain sales volumes in the USA, and indeed continue to increase volumes in any substantive manner beyond forecast levels in Canada.

KEY INSIGHT – TABLE OLIVES – DRIVERS AND BARRIERS TO CONSUMPTION:

There is not a lot that the International Olive Council or indeed table olive producers can do to influence the demographic make up of a country, or indeed the palette of individual consumers. However, the fact that a quarter of accessible table olive consumers across the USA and Canada do not feel inclined to purchase olives for at-home consumption at any point in the year means that the industry is failing to understand and satisfy the key needs of its consumer base. For example, the lack of compelling health messages associated with table olives means that there is little or no incentive for consumers to look to substitute olives for other foods in their diet. Similarly, even if there was an inclination to purchase the fact that olives are not presented or packaged in a way that would encourage or drive consumption in a manner that is conducive with everyday lifestyles, becomes a major barrier for many consumers.

As such promotional activity should be focussed on ensuring, in the first instance, that seasonal consumption occasions are maximised, creating an even greater association between the holiday season and home entertainment occasions and table olives. In so doing, known olive consumers can be targeted at times when they are most likely to purchase, whilst similarly those consumers who do not buy olives for consumption at home will hopefully receive a call to action that will drive incremental sales volumes. Every one per cent of household penetration that can be secured will yield at 2009 levels an additional 1,211 tonnes in sales volumes.

Foodservice Landscape – Table Olives

Similarly to the retail table olive market, the foodservice market in the USA is in decline, while the Canadian market continues to grow – albeit slowly. Unlike the foodservice market for olive oil however, the consumption drivers for table olives are more difficult to directly influence.

The foodservice market in the USA and Canada for table olives absorbs 72 per cent and 40 per cent of all consumption volumes respectively, representing nearly 149,000 tonnes per annum. However, as with the retail market, volumes are declining in the USA and rising slowly in Canada. The US will lose nearly 11,000 tonnes in volume by 2013, declining at an average annual rate of two per cent per annum, a rate of decline that has remained steady since 2004, when nearly 153,000 tonnes of olives were used in foodservice preparation in the country. Further, the increase in volume in Canada will not compensate for the losses in US consumption as only a further 400 tonnes will be added over the next five years.

The reasons for the decline in table olive consumption in foodservice mirror in part the reasons for decline in retail sales of table olives. Effectively, the change in the demographic make up of the USA is actually having a bigger influence on the foodservice industry than it is on the retail market. This is because foodservice operators are generally quicker to change menus, formats and offerings to cater to demographic and ethnic requirements than are retailers. For example, a rise in the Hispanic population in a community will lead to a rise in outlets that will cater to the needs and tastes of that community, either through investment being made directly by members of the community to service its own population, or through a change in menu options and formats being offered by existing restaurants. As olives are not common ingredients in Latin American dishes, shifts in menu offerings of this nature inevitably lead to declines in volumes of olives being used.

Another example can be found in the pizza market. Flavours and toppings offered by the leading pizza companies such as Dominos and Pizza Hut also change to reflect the demand of their customer base. This results in the removal or less demand for traditional Italian pizza offerings in favour of Latin American inspired choices such as Mexican or chilli based toppings. Additionally, many pizza outlets, be they full service, quick service or takeaway, allow consumers to customise their own pizzas. Given that 40 per cent of consumers do not like the taste of olives, the ability to be able to avoid their consumption, rather than go through the ritual of picking the olives from the cheese and placing them on the side is appealing. This, of course, also leads to a decline in olive usage and purchases by pizza companies.

At the high end of the market there has certainly been an increase in olive usage as many restaurants now provide as a matter of course Mediterranean inspired courses, such as Greek salads and other Italian, Spanish and Greek inspired dishes. An increase in the number of Middle Eastern and Turkish full service outlets has also played a part in this trend as well. In the quick service market, especially in major urban areas, there are also increasingly a number of salad based outlets, such as Salad Spinners, that are being set up to provide healthy lunch solutions to office workers. As part of the standard menu offering provided by these outlets there is usually a Greek salad, but as with the pizza industry many of the menu selections are customisable by the consumer. As such any increases in olive consumption are minimal, particularly if it means that consumers are in fact eating less pizza as a trade off for an improvement in diet.

The traditional third major use of olives in foodservice in the USA was the bar industry, for inclusion in that iconic of American cocktails, the martini. However, consumption of martinis in their classic form has declined in recent years, with the drink being perceived as being old-fashioned particularly among younger

consumers. In fact, many bars have created variations on the martini that do appeal to younger consumers – but they are often martinis in name alone, and certainly do not call for the inclusion of an olive garnish.

There is possibly an opportunity to secure the presence of olives in bars in the USA and Canada, and it is also possibly the only area of the table olive foodservice market that table olive producers and associations can influence. Most bars, particularly medium- to high- end establishments provide their clients with some form of snack food when they purchase a drink. Typically, this means the provision of either potato chips or some form of salted nuts. On occasion though, olives are provided to clients. If the practice of providing olives can be encouraged as an alternative choice to what are inherently less healthy products, from a fat content and sodium content perspective, then not only will consumption volumes increase, but also there is the possibility of introducing new consumers to table olives. Indeed, the association of consuming olives with a drink in a bar could well encourage behavioural change among consumers at home, breaking the entrenched cycle of reaching for processed savoury snacks when drinking or entertaining.

KEY INSIGHT – TABLE OLIVES – FOOD SERVICE LANDSCAPE:

Unlike with olive oil there is prima facie no silver bullet that can be used to influence or restore table olive consumption and demand in foodservice, particularly in the USA. The market is evolving in a manner that is not conducive to substantial increases in olive consumption and as such it would require a substantial change in the emerging demographics of the country to reverse many of the declines seen since 2004.

However, there are small opportunities that the industry must grasp if it is to have any chance of stabilising volumes, and potentially over the long term look to reverse declines seen in recent years. The promotion of olives as a healthy snacking alternative to hotel chains and bar chains offers a relatively interesting opportunity, particularly given that barriers to consumption based on health benefits and convenience can be readily easily overcome.

It is also possible that if convenience packaging can be created and also robust health benefit literature can be produced for olives, that institutional channels such as the school and hospital system could also become viable outlets for table olives in the future – replacing other less healthy products that may currently be on the menu.

The Mind of the Consumer

No activity happens in consumer markets without the permission of the consumer. As such understanding how consumers relate to given product categories is essential to determining how and where to target marketing expenditure in order to capitalise on the inherent advantages that a product may have against adjacent or competing categories. In this regard, olive oil and table olives are no exceptions.

The US and Canadian markets are made up of 340 million consumers with the world's highest level of disposable income. Both countries are geographically and ethnically diverse with strong cultural, economic and political regional variations that make it difficult and expensive to reach the entire population from a communication standpoint, particularly with a message that is coherent and has resonance to such a wide and diverse group of consumers. As such, for the promotional activities of the International Olive Council to have the greatest chance of success in North America, it is important that messages are targeted at the most appropriate target audience for both olive oil and table olives. It is also important that the messages focus on the areas that are going to deliver the best volume and profit outcomes for the International Olive Council and its partners – ensuring the best return on investment on marketing money invested.

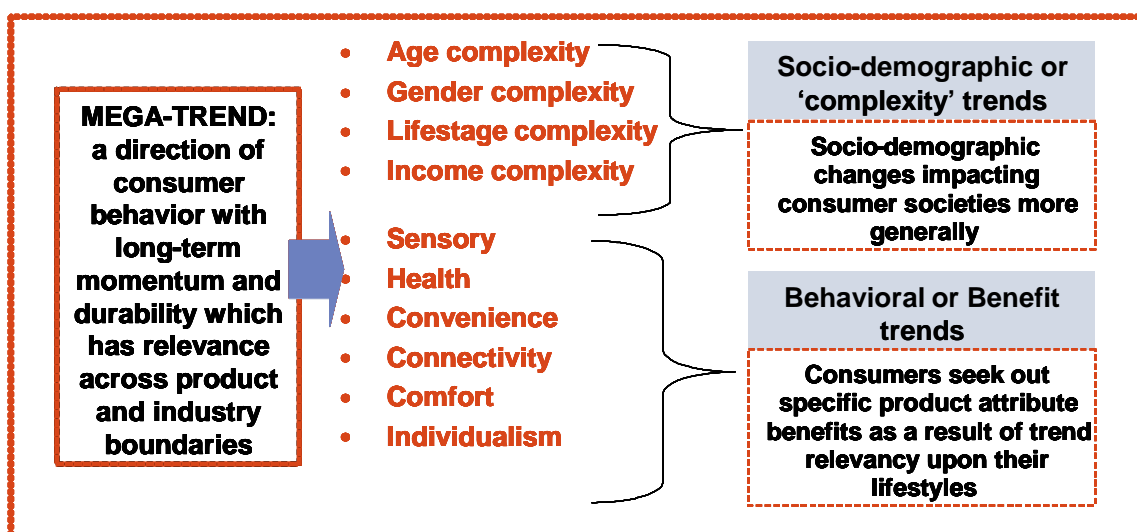
In order to understand the mind of the consumer and how this was influencing olive oil and table olive consumption in the USA and Canada, Datamonitor conducted an on-line survey with 3,887 consumers in October and November 2009, focussing on such areas as attitudes and perceptions towards both products, usage and purchasing habits of olives, olive oil and other cooking oils, as well as overall category knowledge. The findings of this study enabled Datamonitor to be able to identify the key drivers and barriers to growth for both olive oil and table olives, as well as to understand the fundamental areas that need to be addressed by the International Olive Council and the US and Canadian olive industry if volume and value growth is to exceed that already forecasted to be achieved by 2013.

As such the following section of this report will examine the core mega-trends that are influencing consumer behaviour for olive oil and table olives; the perception of the consumer when thinking of olive oil and table olives; and the key drivers and barriers to growth that need to be either better exploited or overcome if incremental volume and value growth is to be achieved. The final part of this section will provide the International Olive Council with core recommendations that will underpin the promotional plan for the development of olive oil and table olive sales in both the USA and Canada.

Datamonitor Consumer Mega-Trends Framework

The results of the consumer survey undertaken as part of the background research underpinning this report were analysed in the context of Datamonitor's proprietary Consumer Mega-Trend framework. The guiding principle behind the Mega-Trend framework is to assist companies operating in consumer packaged goods markets to be able to contextualise the plethora of consumer trend and behavioural information that they receive, and to be able to channel this information in order to be able to focus on the most important drivers that are influencing consumer attitudes towards their category. The basic concept can thereby be summarised as follows:

- Datamonitor has identified 10 global consumer 'mega-trends' – the guiding 'big picture' trends that are most important to Consumer Packaged Goods;
- Datamonitor defines a 'mega-trend' as a 'direction of consumer behavior with long-term momentum and durability which has relevance across product and industry boundaries';
- Six of the mega-trends are referred to as '**benefit**' mega-trends because consumers **seek out specific product attribute benefits as a result of trend relevancy upon their lifestyles**; and
- The '**complexity**' mega-trends concern **socio-demographic changes impacting consumer societies**.



The ten mega-trends can be briefly described as follows:

Convenience – Consumers increasingly feel that they need to fit in many competing demands on time. The need and desire for convenience is pervading all aspects of consumer lives as time, energy and space-saving benefits are increasingly sought;

Health – Greater value is being placed on healthiness and well-being. Consumer health behaviors are becoming ever more sophisticated as numerous sub-trends emerge in health;

Sensory – There is a growing interest in quality of life rather than necessarily money. Consumers are seeking new experiences;

Individualism – People desire to be recognized for their personal needs. Values promoting notions of self-expression and individuality are rising;

Comfort – Consumers are demanding safety, simplicity, trust and indulgence in their lives due to perceived rising stress and uncertainty in their lives and the world;

Connectivity – A desire for a life that is rich in relationships, friendships and belonging. It can be expressed at many levels e.g. at the community level (community belonging), national level (pride in home grown etc) or global level (environmental concerns);

Age complexity – Age is becoming less useful as a role definer as different age groups increasingly share attitudes and behaviors, whereas those of the same age may increasingly display diverse attitudes and behaviors;

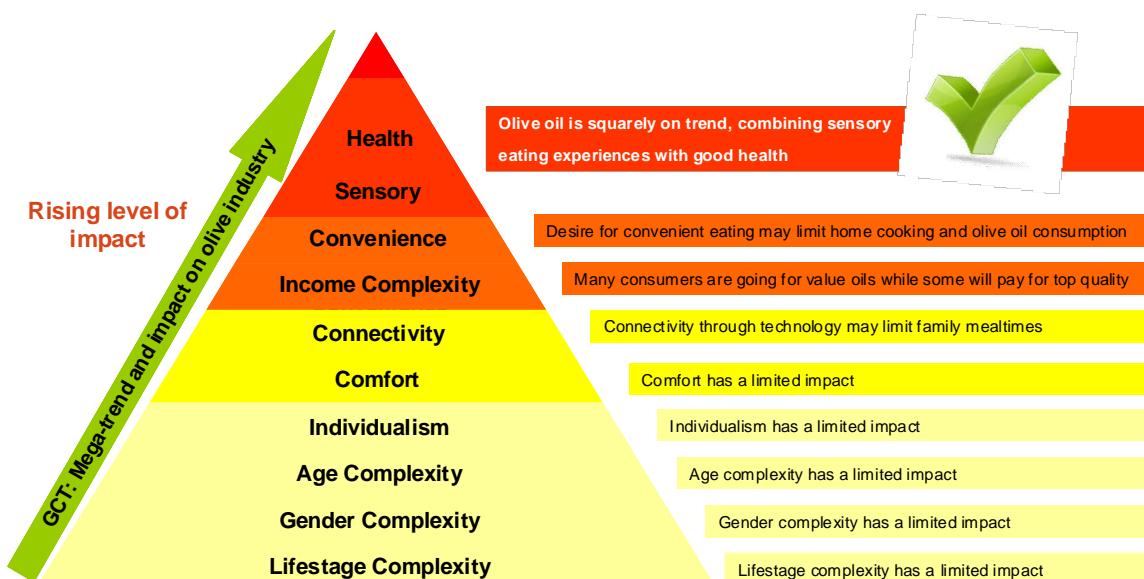
Gender complexity – There is a feminization of men and society. Values & attitudes are increasingly shared across the genders;

Lifestage complexity – Predictable shifts from one lifestage to the next are less common. Family, career and life progression are increasingly complex; and

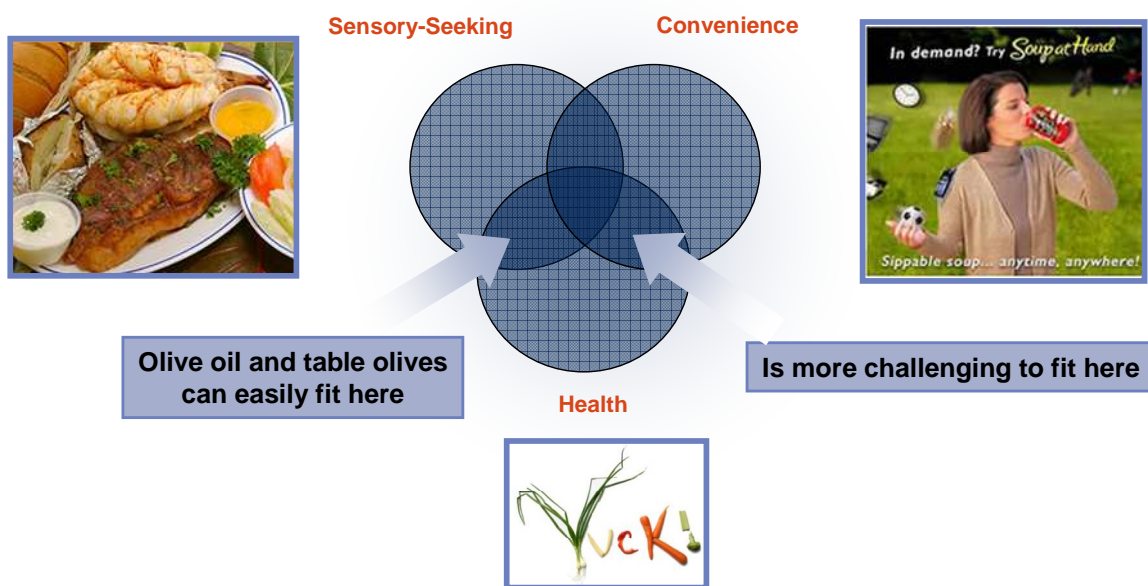
Income complexity – Changing values are driving an egalitarianism of spending. There has been a shift away from explicit materialism. Meanwhile lower income groups are spending on luxury on a budget.

In order to determine relevance to the olive oil and table olive industry, Datamonitor has ranked the ten Mega-Trends in relation to the impact they have on the olive oil and the table olive industry on a consumer level from a driver or barrier perspective. To achieve this, Datamonitor has built in input from the consumer survey carried out specifically for this project, previous Datamonitor surveys, secondary research and Datamonitor's own in-house expertise to rank the mega-trends based on their level of impact. However, it should be noted that given the specificity of the consumer survey commissioned for this project, the information gathered from that survey has been given precedence in determining outcomes for olive oil and table olives.

The resulting analysis shows that the health concerns, sensory concerns and convenience concerns are the main trends influencing the purchase of olive oil and table olives, although the barriers and drivers of consumption are different for each product.



Essentially, the health, sensory and convenience trends are converging and impacting on eating habits as consumers aim to balance modern lifestyles, with the desire to maintain satisfying eating experiences and occasions. It should be noted however, that despite the fact that health ranks as being seemingly the most important trend, that depending on the occasion and location of consumption, either convenience or sensory desires may take precedence. As such it is imperative that any marketing activity looks to satisfy all three trends wherever possible. It is shown clearly in other categories that the ability of a product to be able to satiate more than one consumer mega-trend does result in better sales outcomes.



The three mega-trends that are of the most importance to consumers are currently only partially being satisfied by olive oil and table olives.

HEALTH & WELLNESS: ‘Better-for-me’ and ‘good-for-me’ products are increasingly sought as consumers look to moderate indulgences

Health concerns are gaining momentum and increasing in scope as consumers take more self-responsibility for their health



For example, olive oil as a “better-for-me” fat addresses the concept of positive nutrition, as the use of olive oil can be seen as being part of a pro-active diet. The supporting information that is available to justify the claims of olive oil are important in this regard as it allows consumers to make considered and rational decisions before committing to purchase olive oil and thereby potential switching away from other cooking oil products. Similarly, olive oil addresses the idea of healthy indulgence, in the sense that olive oil being a premium product not only provides health benefits, but also elements of everyday luxury to consumers at a relative affordable price.

On the other hand, table olives, whilst being perceived as being healthy by heavy consumers of the product, do not have same justifiable and quantifiable health benefits to current moderate consumers or to non-consumers. Indeed, basic interpretation of the nutritional information on a jar of table olives would lead the average consumer to believe that olives are inherently unhealthy and therefore should be treated with the same caution as potato chips and other processed savoury snacks.

SENSORY: Maximizing consumption pleasure

**Self-actualizing, hedonistic consumers desire more
“experiential pleasure” and sensation from food and drinks.
They are holding brands accountable to more exacting, authentic standards**

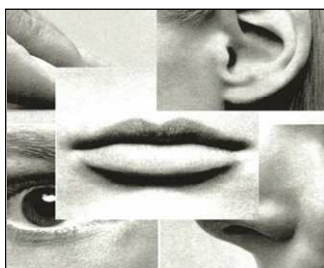
**Multi-sensorial,
hedonistic
consumption**



Authenticity

Connoisseurship

Experimentation



**Trading up to
higher quality
alternatives**



There is less of a distinct difference between olive oil and table olives in terms of how both products currently meet consumer expectations and accordingly satisfy their sensory requirements. Olive oil has potentially, particularly at the top-end of the market, great appeal to “trysumers” – consumers who are interested in regularly trying different new foods and tastes. Conversely, because of its broad range of price points and product choices, olive oil also appeals to consumers who are seeking out quality based value, in other words consumers who want to maximise the sensory experience of their product purchase, but at the lowest relative cost. Overall, the sensory appeal of olive oil and the product’s association with luxury, combined with a broad flavour range, allows consumers to take “safe risks” when making purchasing decisions in the category.

With table olives, there is a broad polarisation among consumers caused by fact that 40% of the market is put off by the taste of olives and will not indulge in their consumption. However, among those consumers, who do eat olives regularly or semi-regularly, the same sensorial benefits that olive oil brings from a sensory perspective are also discernible. For example, the olive bar concept in supermarkets in many ways targets “trysumers” to indulge in a different variety or type of olive, allowing the quantity of olives purchased to be tailored – creating a “safe risk” sale.

CONVENIENCE: managing the problem of time scarcity

People increasingly have to ‘manage’ competing demands on time. It forces them to constantly seek out more efficient and effective products that can help facilitate crammed lifestyles and fulfill desires to free-up and maximize leisure time

**Efficacy driven
product selection**

Outsourcing effort

Speed shopping

**Multitasking on-
the-go**



Both olive oil and table olives struggle to meet the desire for convenience among consumers, but for different reasons and to differing extents.

Olive oil in itself is not an inconvenient product. There are generally no issues with product packaging and formatting, and as detailed earlier in this report there is sufficient innovation being made to ensure that the product is consistently being presented in a manner that has resonance with consumers. However, olive oil usage, and indeed usage of other cooking oils, particularly in the USA, may fall victim to consumer desire for convenience in terms of preparation of at-home meals. Mealtimes are becoming simplified as younger consumers in particular lack basic cooking skills and therefore are becoming more reliant on pre-prepared meals. Similarly, mealtime occasions are becoming fragmented and traditional meal occasions are likely to be missed altogether in favour of snacking or “grazing”.

Table olives on the other hand have a great opportunity to benefit from the snacking or grazing trend among consumers, but at present the product is not presented in a way that makes it easy for consumers to consider substitution of other snack or prepared foodstuffs. As such, the fact that table olives are not seen as being “on-trend” from a convenience perspective is purely to do with the marketing of the category and should be able to be fixed by the industry without too much radical reinvention. The convenience of olive oil and as such the long-term relevance of olive oil to consumers is more driven by societal evolution and can not be as directly influenced. However, it does highlight the fact that it is extremely important to continue to increase the volumes of olive oil used among households where penetration exists today in order to ensure future volume growth.

Drivers and Barriers to Growth – Olive Oil

As mentioned at the start of this section, the USA and Canada are vast and diverse markets. As such it is often not the best marketing strategy to go for broad reach or to look to increase product penetration through the acquisition of new customers, as the costs of doing so can be extremely prohibitive. This would almost certainly be the case for olive oil in both the USA and Canada.

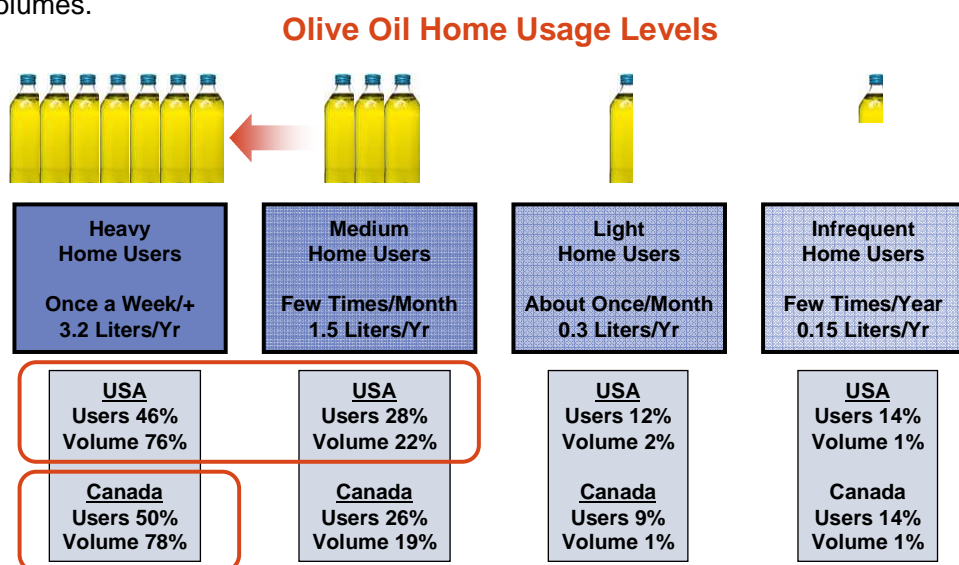
Similarly, where a product has two distinct sales channels, it is not always the best strategy to target both channels equally, but to focus on the channel that will provide the best immediate outcomes and therefore the best return on investment (allowing for future investments to be made to drive longer term change in the other channel). For olive oil in the USA, the channel that will deliver the best outcomes in the short- to medium- term is almost certainly retail and not foodservice. This is because the current dynamics of the foodservice industry make it extremely difficult to actually secure new opportunities for olive oil usage without considerable effort and investment, both of time and resources, whereas, the retail market is able to be directly influenced, and the opportunity for growth is clear and apparent.

As such, Datamonitor would recommend that the International Olive Council focus on a strategy that looks to increase usage among existing retail olive oil consumers through targeting substitution of other less healthy oils that they currently use in their kitchens, such as soy oil for example. This is because medium and heavy users of olive oil already have positive flavour and health perceptions of olive oil, and similarly are also interested in increasing their consumption of olive oil overall.

This conclusion is supported by the following responses from the consumer survey:

Medium and heavy olive oil users account for the vast majority of retail consumption and thus represent the best target for growth

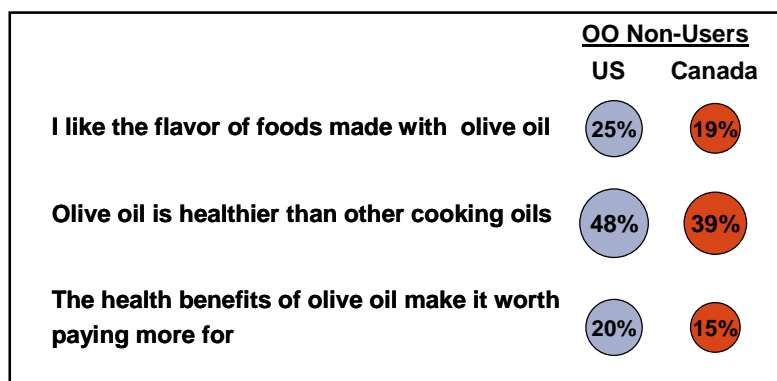
- Light and infrequent users make a negligible contribution to olive oil consumption volumes.



Source: Datamonitor consumer survey 2009

Attracting new olive oil users will be a challenge due to flavor and price barriers

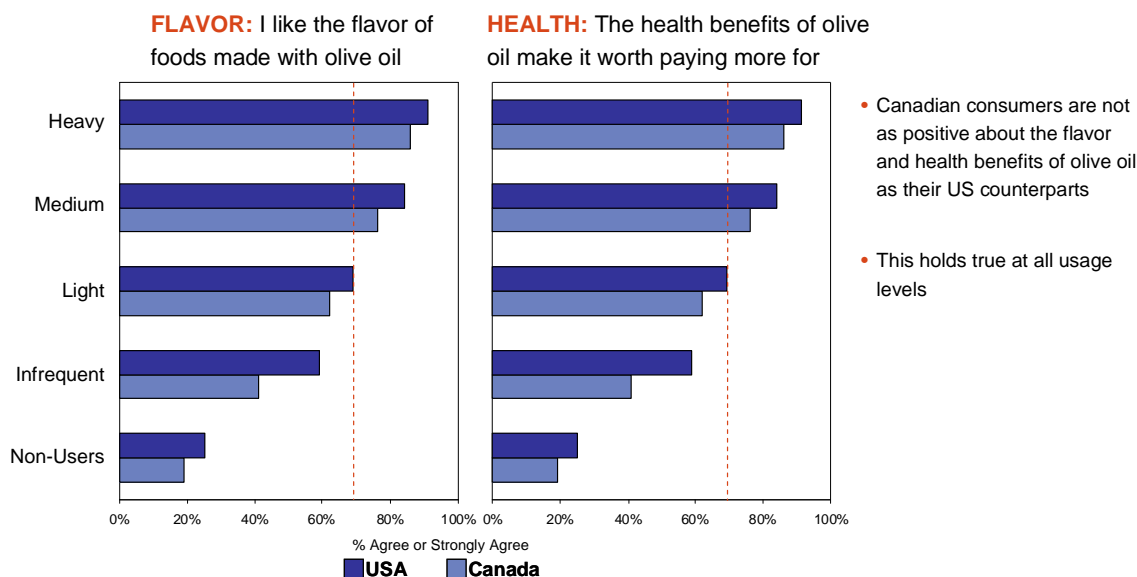
- A penetration strategy of getting new olive oil users poses challenges
 - At 44% household penetration, olive oil may be reaching its limit on attracting new users
 - These non-users still need to be sold on the benefits and taste of olive oil



Must overcome flavor and price barriers to attract non-users, particularly in Canada

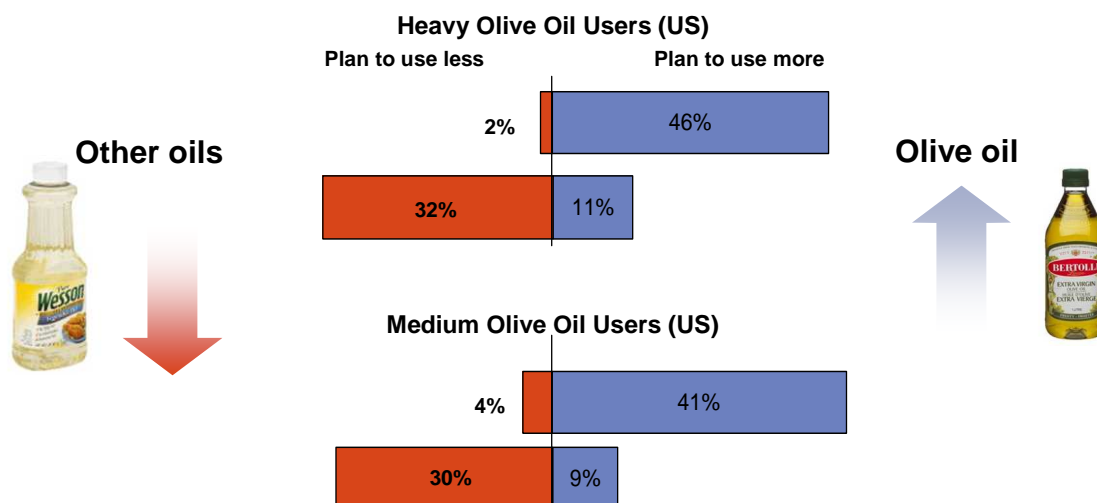
% Agree or Strongly Agree

Heavy and medium users already have positive flavor and health perceptions of olive oil

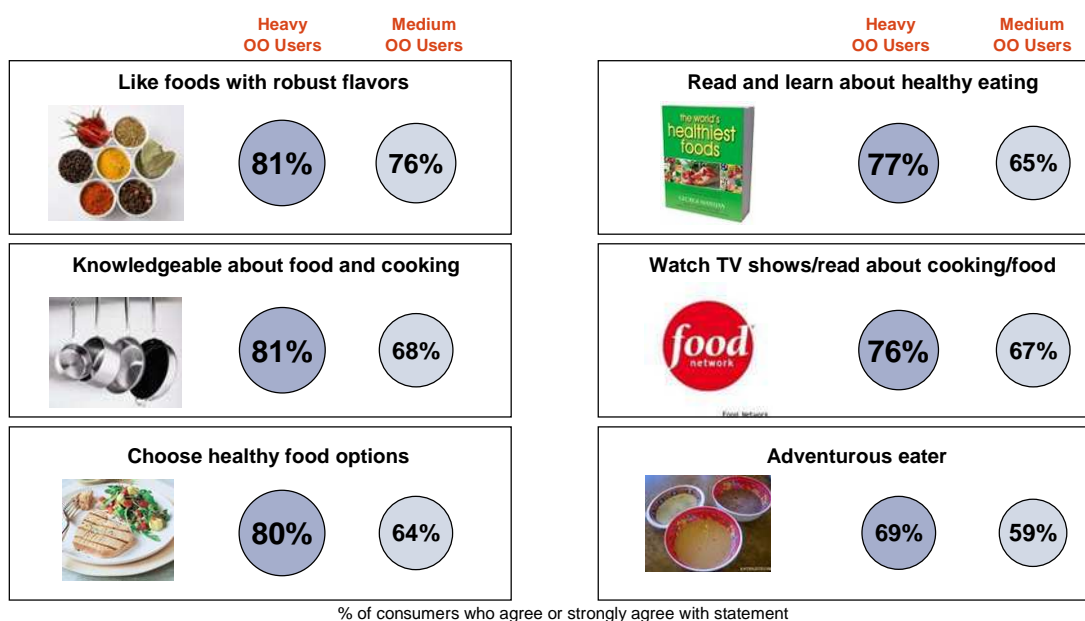


Current users are eager to increase their olive oil consumption

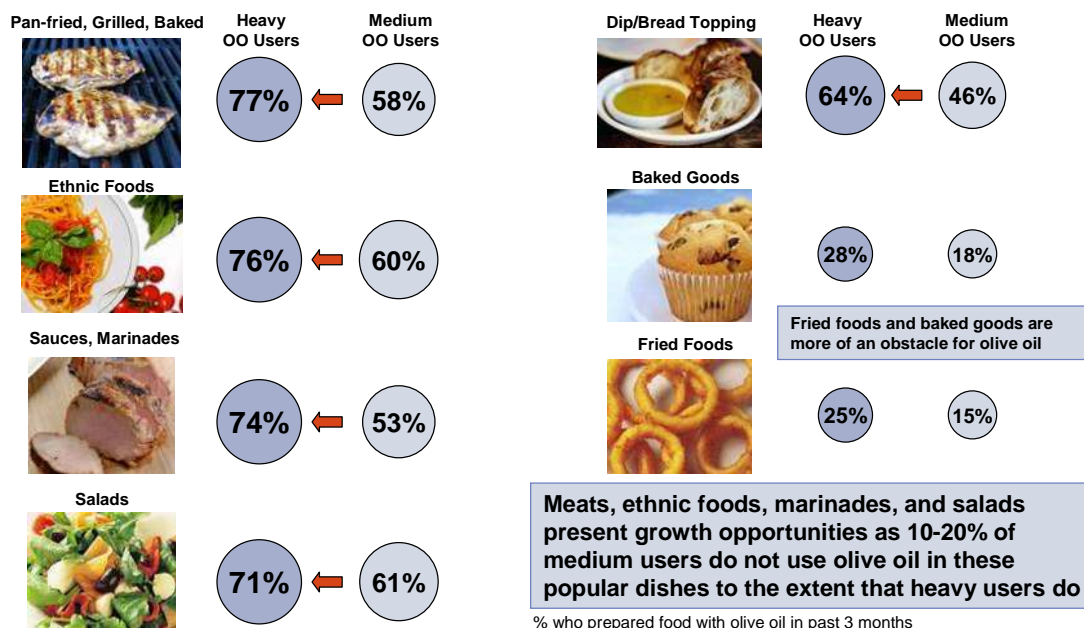
- Both heavy and medium olive oil users say they want to consume more olive oil in the upcoming year and less of other cooking oils



Medium olive oil users in the USA enjoy food and cooking, but not to the extent of heavy users



Cooking uses of olive oil present growth opportunities for medium users

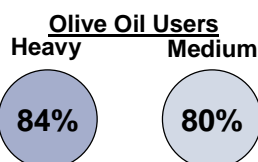


Since fat consumption is not growing, volume must come from other oils

- There is a high level of cross usage of olive oil with other cooking oils
- Most medium and heavy olive oil users consume other oils as well
- Olive oil “owns” certain usage occasions but general cooking (pan-frying, grilling, roasting meats) offers a chance to shift usage occasions



Use another cooking oil at home a few times a month or more



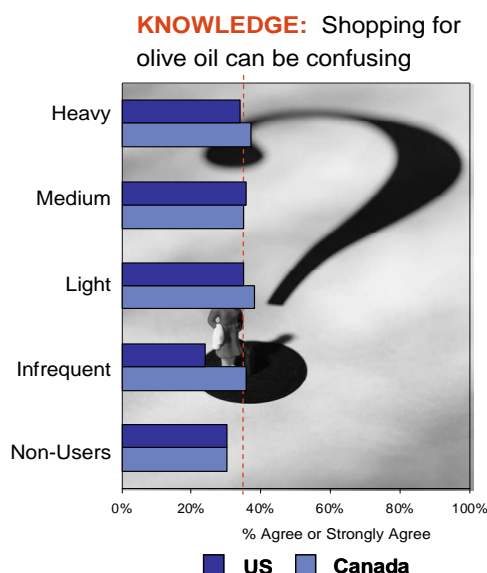
Olive Oil	Canola Oil	Vegetable Oil	Butter or Margarine
Ethnic dishes Pan-frying, grilling Salad dressing Sauce, marinade	Pan-frying, grilling Baked goods Deep fried foods	Pan-frying, grilling Baked goods Deep fried foods	Baked goods Bread topping Pan-frying

However, as well as there being strong drivers that will influence consumption and positive market evolution. There are also strong barriers that need to be overcome by the industry if it is to capitalise on the generally positive sentiment that consumers have towards the olive oil category. As mentioned earlier in this report these barriers centre on the lack of consumer understanding of the category and in particular the inability of

consumers to be able to distinguish between product varieties, flavour types and region of origin for the products they purchase.

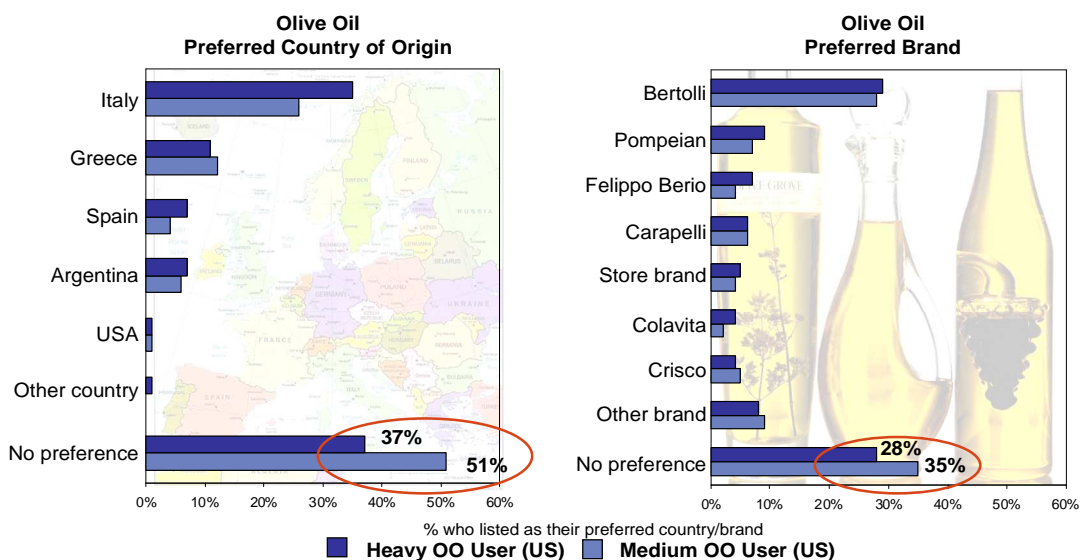
All usage groups are equally confused about the olive oil category

- Roughly one in three consumers of olive oil say that it can be confusing to shop for olive oil
- This level is steady across non-users up to heavy users



Category confusion can limit consumers' emotional bonds with the category, brands, or the oil's country of origin






- A sizeable number of heavy and medium olive oil users show no brand or country preference








In order to summarise the drivers and barriers influencing the market and consumer attitudes towards olive oil, Datamonitor has used the Harvey Ball system to provide a weighting to the varying degrees of influence each driver and barrier has on the market potential for olive oil. As Datamonitor recognises that there are a broad range of factors that impact the current and potential growth of the olive industry in North America, it has critically assessed each barrier and driver in order to separate out those factors that can be influenced by the olive industry, from the broader macro market and environmental factors over which very few businesses or industries can have a direct influence.

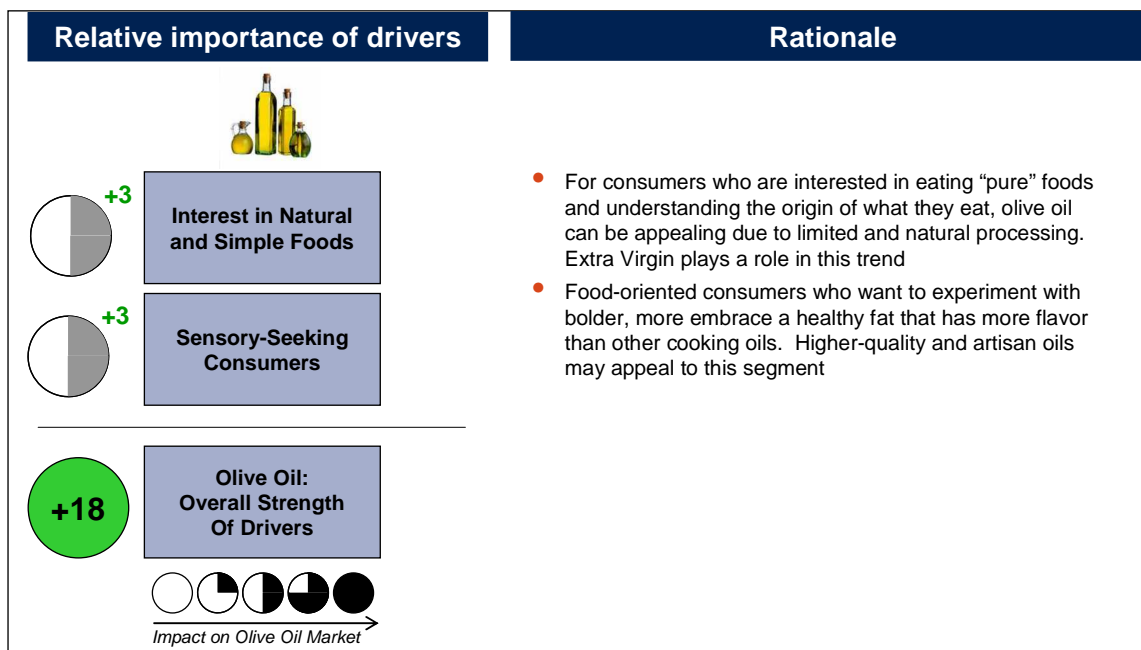
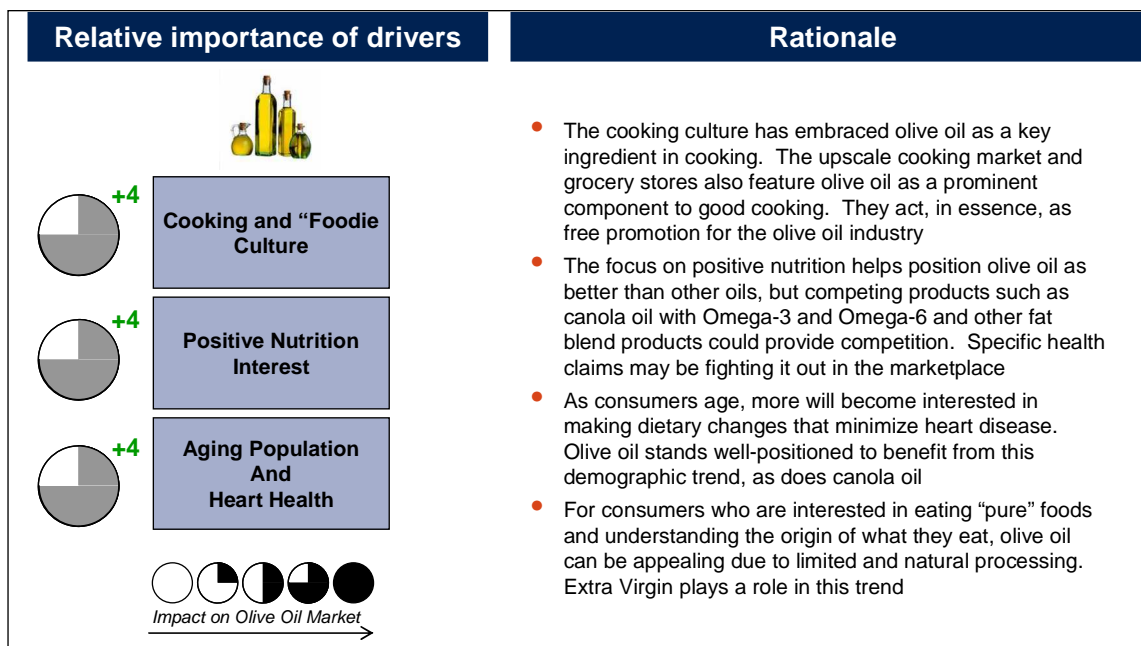
For the purposes of this assessment a driver is defined as being a compelling movement that may stimulate growth within a market, while a barrier is defined as being an obstacle that prevents movement or access within a market.

- The level of impact each driver and barrier has on the olive industry has been ranked using a Harvey Balls rating system. An explanation of the system can be seen in the graphic on the right
- By using a points system to assign a score against each metric based on its level of impact relative to the other metrics, it is possible to attribute an overall score to each country market. This score reflects the relative impact of drivers and barriers
- If the score of the drivers outweigh the scores of the barriers, then the specific level can be seen as a competitive advantage for the market, which can be developed by further addressing issues associated with each of the barriers
 - If the score of the drivers is lower than the scores of the barriers, it suggests that the olive industry has to address a number of key challenges in order to achieve further growth







Explaining the Harvey Balls Rating System		
Harvey Ball	Level of Influence	Scoring (+/-)
	Very High	5+ / 5-
	High	4+ / 4-
	Medium	3+ / 3-
	Low	2+ / 2-
	Very Low	1+ / 1-

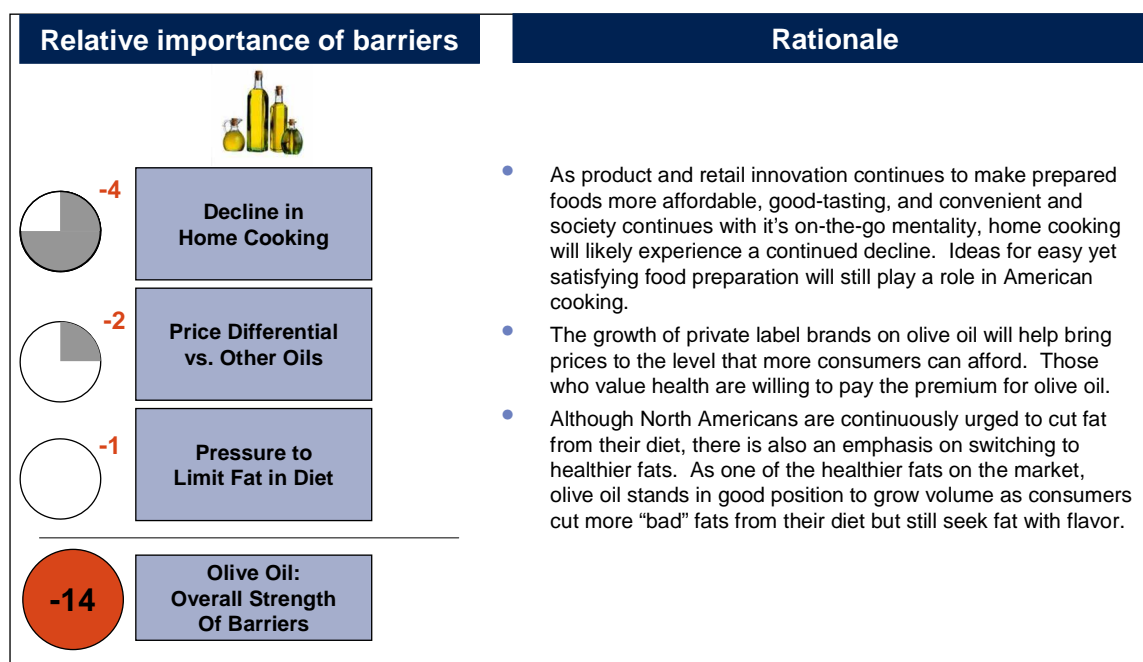
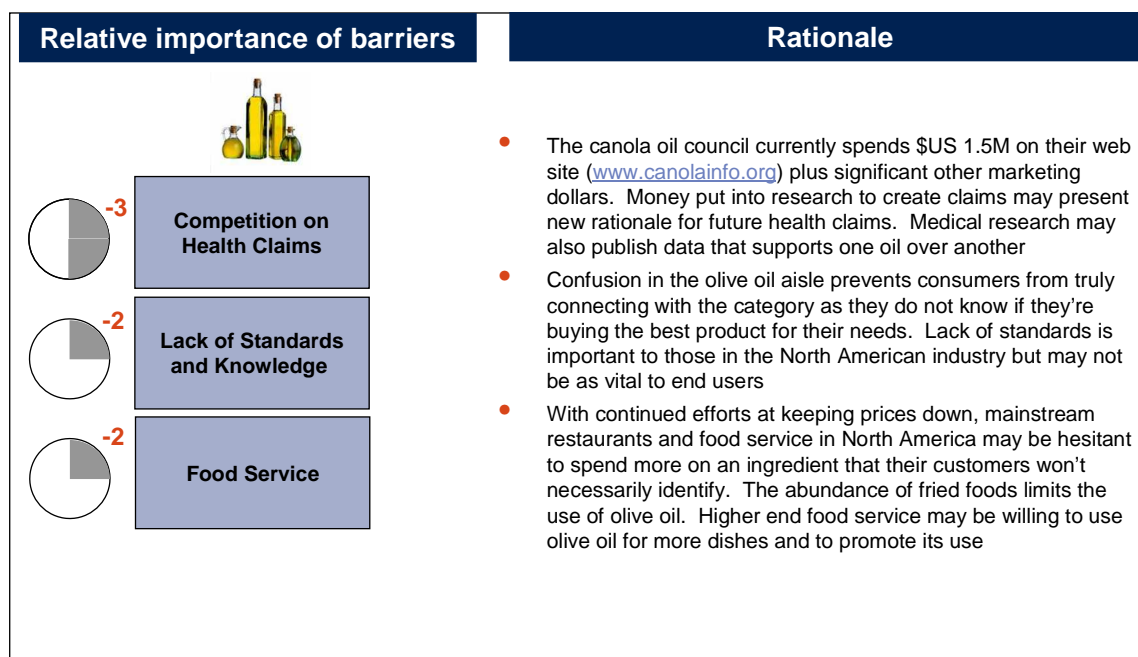
Key Drivers – Olive Oil

Drivers	Factor description
 Cooking and “Foodie” Culture	<ul style="list-style-type: none"> Culinary knowledge has become a status skill and olive oil has become a status product that plays a key role in the popular cooking and “foodie” culture Olive oil has been prominently featured by TV cooking shows. It has helped instill a passion for the joy of food and a focus on ingredients that has become more mainstream
 Positive Nutrition Interest	<ul style="list-style-type: none"> Consumers recognize the important role that diet plays in overall wellness and are pro-actively seeking foods that provide tangible health benefits such as specific nutrients Adding healthy or “superfoods” to the diet is promoted as important as cutting out bad foods There is ongoing media focus on the Mediterranean Diet as a means for wellness and longevity
 Aging Population and Heart Health	<ul style="list-style-type: none"> Concern about heart health increases dramatically with age The average age of the US and Canadian population will rise over the next decade and older consumers will likely shift their eating habits to address health (and especially heart) concerns
 Interest in Natural and Simple foods	<ul style="list-style-type: none"> There is a growing interest in simple and natural foods and ingredients (such as organic, made locally, with few preservatives) Many consumers believe there is sensory superiority for some products based on region, including locally made There is more interest in country of origin and food safety as a result of several newsworthy food scares involving tainted ingredients and disease-carrying foods Progressive grocer reports a trend in “free-from” foods made with no preservatives, hormones or antibiotics
 Sensory-Seeking Consumers	<p>The desire for more sensory experience can affect food categories in several ways:</p> <ul style="list-style-type: none"> In attitude, consumers want bolder, more interesting experiences Bold flavors are equated with quality and enhanced satisfaction There is a new “Maturialism” where older consumers are trading up and seeking to improve the quality of their food and beverages Consumers connoisseurs are increasingly discriminating in their product choices, based on experimentation and knowledge Consumers want healthy foods but do not want to compromise on health benefits so successful products can achieve credibility on both aspects

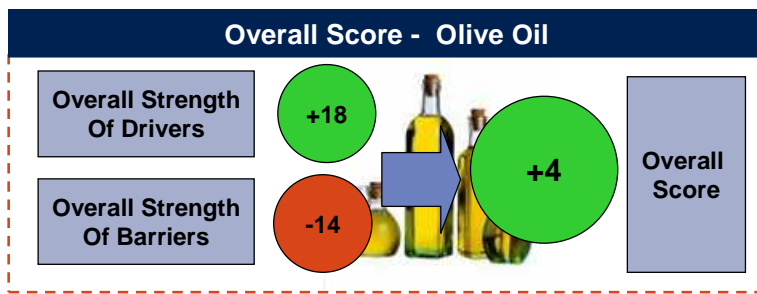


Key Barriers – Olive Oil

Barriers	Factor description
 Competition on Health Claims	<ul style="list-style-type: none"> Increasingly olive oil is not the lone healthy. Canola is making inroads positioning itself as a healthy option and has some health claims that olive oil cannot make (Omega-3 and Omega-6) and other fat products claim to have ideal health blends The proliferation of health claims and different forms of healthy fats contributes to confusion in the category
 Lack of Standards and Consumer Knowledge	<ul style="list-style-type: none"> Olive oil companies use a wide range of terminology to describe their oil varieties and flavour profiles Consumers are exposed to a very wide range of quality but lack the knowledge to make comparisons. This can create confusion when consumers try to compare quality, price, and brand There is not a standard, trusted labelling system to help them understand product differences. Beyond Extra Virgin, the naming convention of olive oil differs by brand making comparison difficult Canada has a quality-testing system information is not geared to consumers
 Food Service	<ul style="list-style-type: none"> Given that olive oil is an ingredient, there are inherent barriers to pushing food service usage. End consumers will not be aware that they are benefitting from eating olive oil unless a restaurant highlights the information With this benefit lost on consumers, food service is opting for lower-priced oils
 Decline in Home Cooking	<ul style="list-style-type: none"> Time pressures are driving consumers to turn to eating options that offer greater convenience such as frozen meals, take-out foods, meal "assembly" with pre-prepared ingredients, and quicker / smaller meals on-the-run Families are eating together for a formal meal less often. Younger consumers do not have the cooking skills of the previous generation As an ingredient, olive oil faces a barrier since it needs to be a part of cooking or meal preparation
 Price Differential versus other Cooking Oils	<ul style="list-style-type: none"> In the USA, olive oil is 4 times the price of other cooking oils (based on average retail prices.) In Canada, olive oil is 2 to 3 times the price of other cooking oils This provides an inherent barrier for some consumers and effectively limits the size of the olive oil target unless cheaper varieties are made available The price difference may also limit the use of olive oil for dishes that require a large quantity of oil
 Pressure to Limit Fat	<ul style="list-style-type: none"> The media, government, and medical community continue to urge consumers to limit total dietary fat Although olive oil is considered one of the healthy fats, it faces pressure as falling under the umbrella as a food to reduce in the diet



Driver and Barrier Summary



A positive score of +4 highlights the current strength of the olive oil category and why in spite of any additional promotional efforts from the International Olive Council there is sufficient forward momentum in the category to continue to drive strong value and volume sales growth up to 2013.

Encouragingly, there is only one barrier to growth that it will be difficult for the International Olive Council to influence and that is the ongoing decline in at home meal occasions. However, olive oil is not alone in facing this challenge, as by definition it is a problem that confronts all other fats, oils and spreads to greater or less extents. This is why it is important for the olive oil industry in the short- to medium-term to focus on securing greater volumes from existing olive oil users to the exclusion of other oils – and hence, why Datamonitor has identified driving increased usage among consumers who already understand some of the benefits of olive oil.

A key part of ensuring that medium users increase their consumption and indeed heavy users further increase their usage (bearing in mind that olive oil consumption even among heavy users is relatively low by international standards) is to ensure that greater levels of education about olive oil, its flavours, its uses, its varieties and its heritage are made available to consumers. This will ensure that the lack of knowledge identified as being a barrier to growth is overcome, and will encourage users to experiment within the category – thereby, ensuring that price premiums are maintained through increased brand, variety or region loyalty, or indeed through consumers having more than one type of olive oil on hand in their kitchens to satisfy different usage occasions. This will also serve the purpose of overcoming price competition from other cooking oil categories as the price premium will become irrelevant when assessed against other inherent benefits of olive oil.

However, all this positive work may be undone to a degree if olive oil's health messages do not continue to resonate with consumers, when assessed against the messages of other oils – particularly canola, which due to its strong local market presence will continue to attract strong industry and government support. The perception that olive oil, and the Mediterranean diet, are integral ingredients to a healthy lifestyle, drove much of the stellar growth in olive oil consumption seen in recent years. If this halo effect is lost, then consumers may choose to switch categories to a product that they see as being potentially better for them. This could be the case particularly as the majority of users as things currently stand do not have any other compelling reasons as to why they should buy olive oil, due to their scant knowledge of the category.

Drivers and Barriers to Growth – Table Olives

Unlike olive oil there is less of a compelling story underpinning table olives. As referred to earlier in this report the market for table olives in the USA has been undergoing a steady decline since 2004, a decline that is expected to continue until 2013. This is largely being driven by changes in demographic patterns and is affecting both retail and foodservice consumption. Conversely, the Canadian market is still growing at a slow pace as the key influencers in the USA are not present in Canada.

However, in both countries the table olive industry has lagged behind the olive oil industry in terms of capitalising upon prevalent consumer and market trends, and as such part of the reason for declines in consumption seen in the USA lays squarely with table olive producers, processors and importers. This has resulted in 25 per cent of the potential available audience for table olives not purchasing olives for consumption at home, and indeed based on the lack of compelling health messages or the lack of convenient offerings, presently have little or no incentive to actually do so.

What makes the decline in consumption even more surprising is the fact that over 20 per cent of supermarkets in the USA now have dedicated olive bars, meaning that in theory olives are actually more accessible and more visible to consumers in retail than before. While a number of companies have successfully worked with retail to exploit this growing trend, others have been content to work the traditional centre aisles in supermarkets, and have seen their sales decline accordingly.

From a consumer perspective, it is heavy and medium users who currently eat the majority of table olives in both countries, and in spite of having no evidence to validate their assertions, the majority of these consumers believe table olives to be healthy – possibly capitalising on the halo effect cast by olive oil. However, table olives are seen largely as being for consumption on special occasions, be that home entertaining or seasonal events, and are not perceived as a food to be eaten every day and this places limits on increasing consumption. Similarly, other consumers have concerns over the fat and sodium content of olives, and are also put off by price and the possibility of wastage – meaning that table olives do not present a “safe risk”.

Declines in foodservice offerings of olives, once again for largely demographic reasons, have also reduced the exposure of consumers to the fruit, making it more difficult to attract new retail consumers. The upside potential in foodservice is accordingly limited and the only immediate opportunity seems to be centred on encouraging the bar industry to provide olives as an aperitif snack, in lieu of savoury snack offerings.

As such, Datamonitor would recommend that the International Olive Council in the short-to medium-term focus on a strategy that looks to encourage greater consumption of table olives centred on the occasions that Canadian and US consumers currently see as being suitable for olive consumption – home entertainment and seasonal activities and events. This activity should wherever possible be secondary to the promotion of olive oil, largely because the opportunity to drive substantial volume growth rests with olive oil and not with table olives and there is a danger that the positive messages associated with olive oil may be diluted if too much focus is placed on table olives, where the benefits to consumers are less apparent. Similarly, because of the more limited opportunities to drive volume growth in table olives the return on investment from any concerted promotional activity would also be limited.

In the medium- to long-term, the International Olive Council and pertinent national associations need to develop academic research and literature that will show table olives in a more positive light from a health perspective, particularly when compared to other savoury snacking options traditionally eaten by US and Canadian consumers. This will also allow fresh approaches to be made to the foodservice industry, particularly the bar industry, in order to encourage placement of olives as an aperitif snack.

However, there are also elements of change required in the table olive industry that are beyond the control of the International Olive Council. Olive processors and importers need to re-evaluate their product offerings and look to create and develop new product formats in order to allow a more coherent convenience message to be communicated and articulated to consumers.

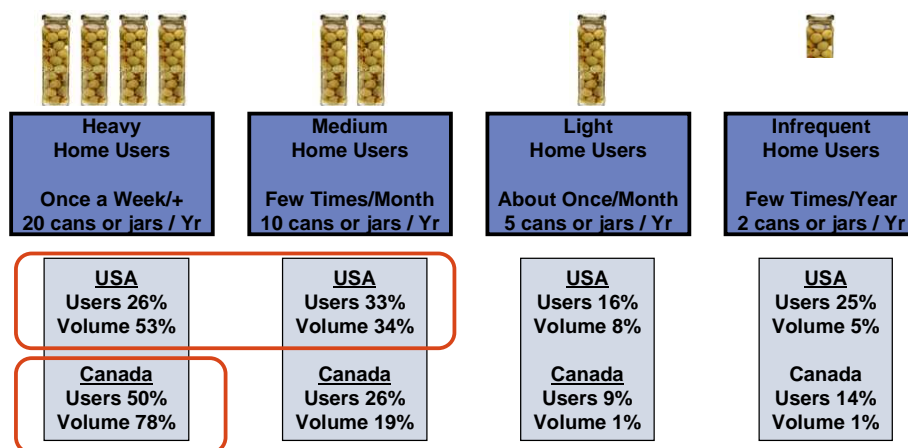
Separately, the International Olive Council should look to work with domestic national associations to develop a coherent strategy for presentation to retailers to encourage the roll out of more olive bars in US and Canadian supermarkets.

These conclusions are supported by the following responses from the consumer survey:

As with olive oil, table olives are largely consumed by heavy and medium users

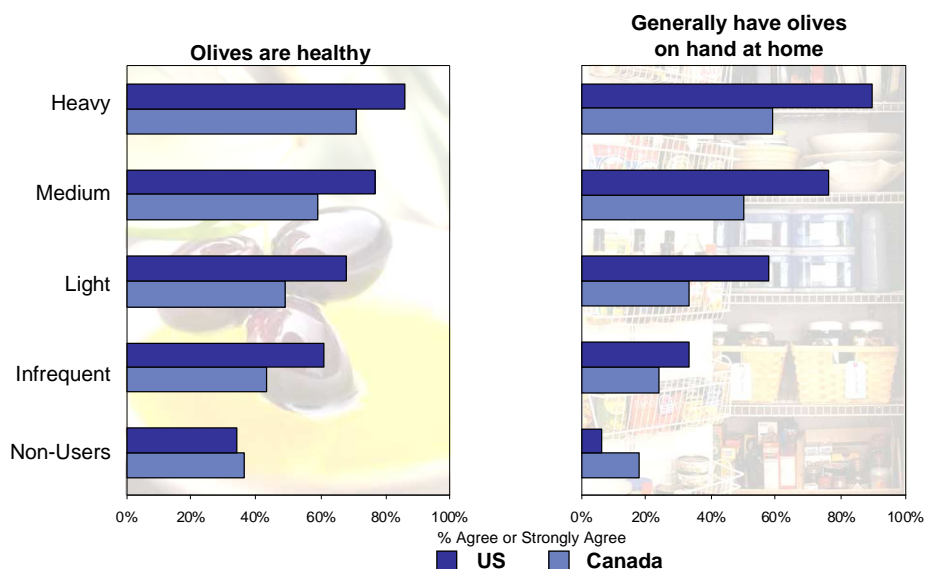
- Light and infrequent users use a small portion of the volume and combined with taste polarity, this will make increasing penetration levels difficult

Table Olive Home Usage Levels



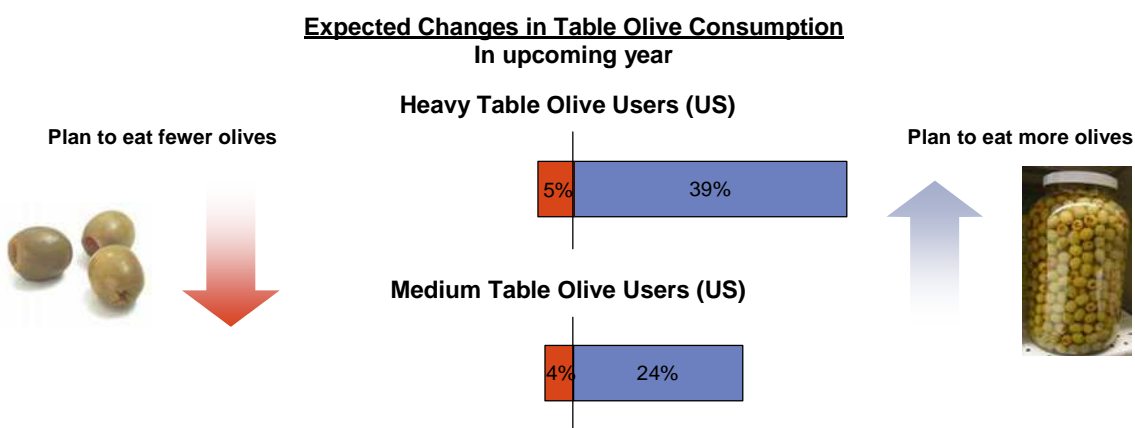
Heavy and medium table olive are best-positioned for increased consumption based on health perceptions and stocking habits

- Americans are more positive about table olives than Canadians and are more likely to stock olives at home



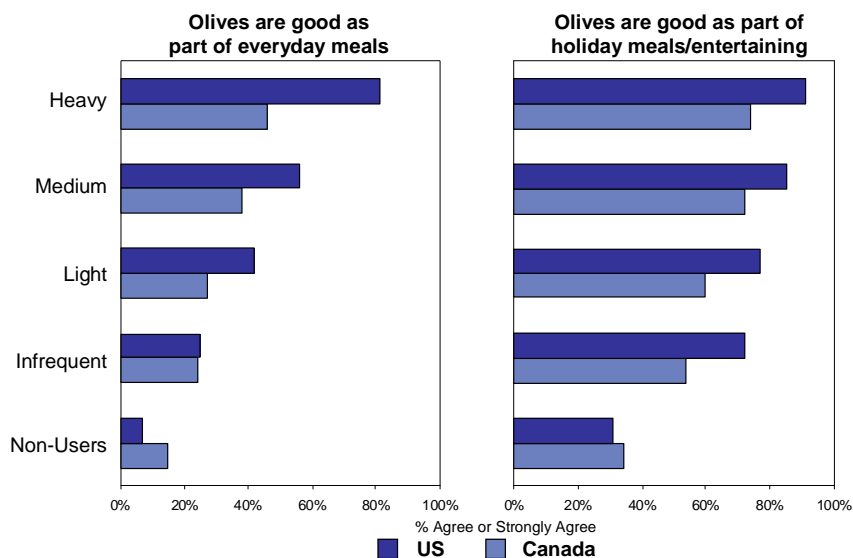
Medium and heavy table olive users are open to eating more olives

- Many more consumers in these groups say they plan to eat more olives in the upcoming year than say they will limit their table olive consumption

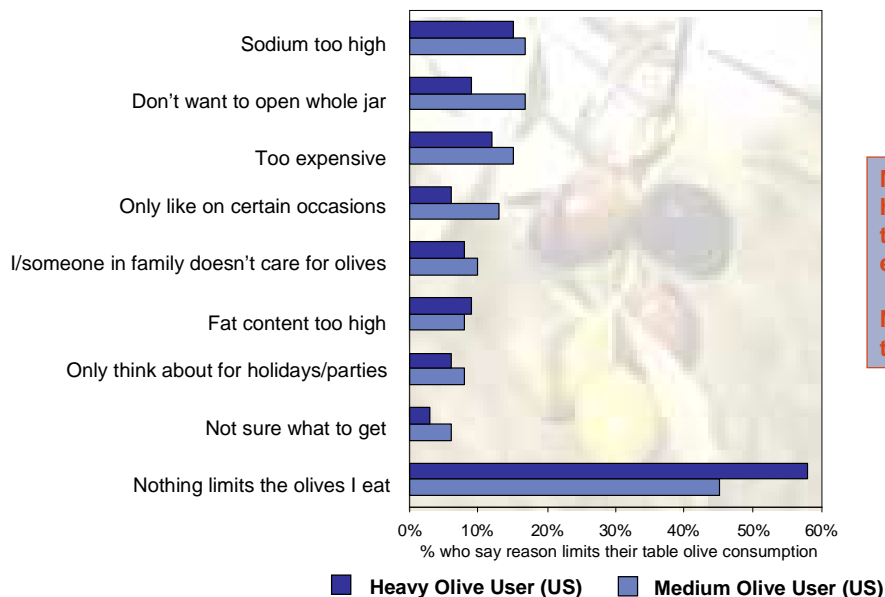


Olives are seen as a special occasion food more so than everyday fare

- Canadians are especially likely to perceive olives as better for special events



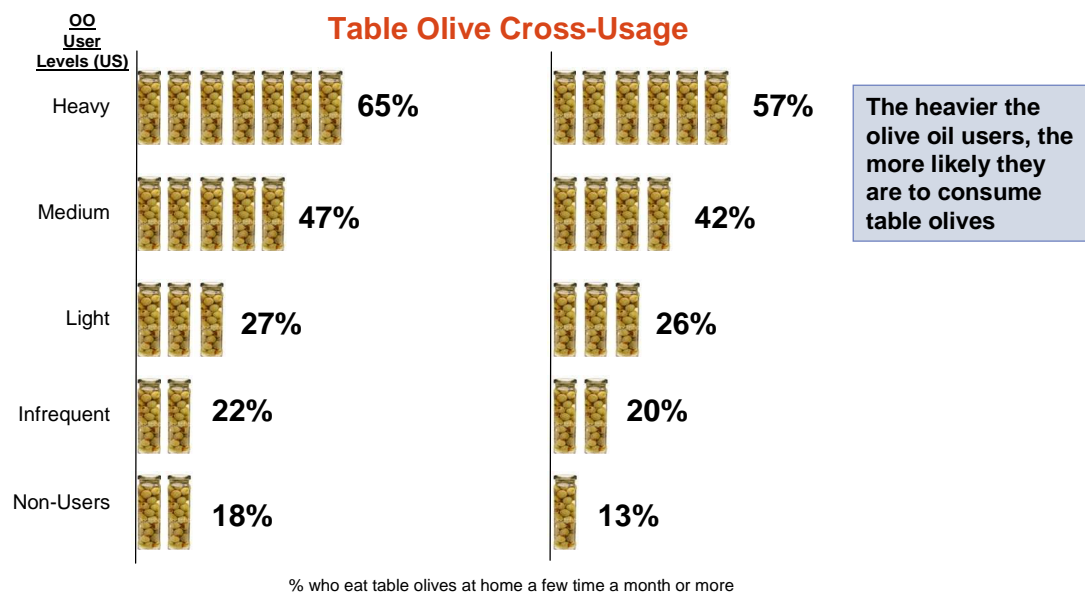
Consumers are constrained by sodium content, convenience, price, and habit



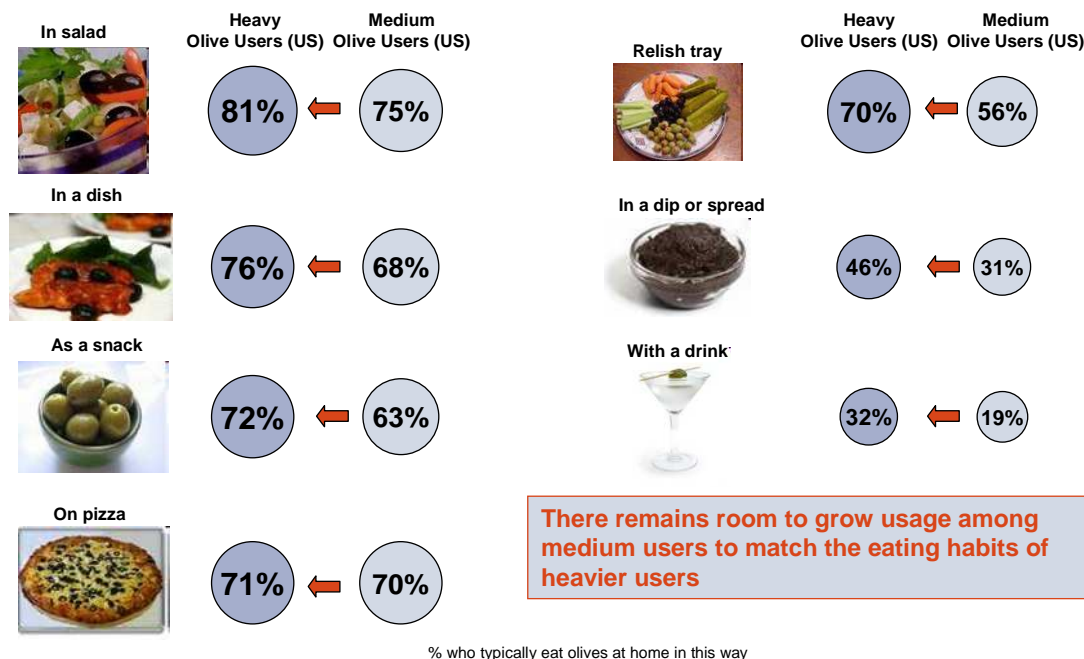
Many olive users don't have a specific reason they limit their olive-eating

Need existing habits to be broken

There is high cross-usage of olive oil and table olives which can drive cross-promotion efforts



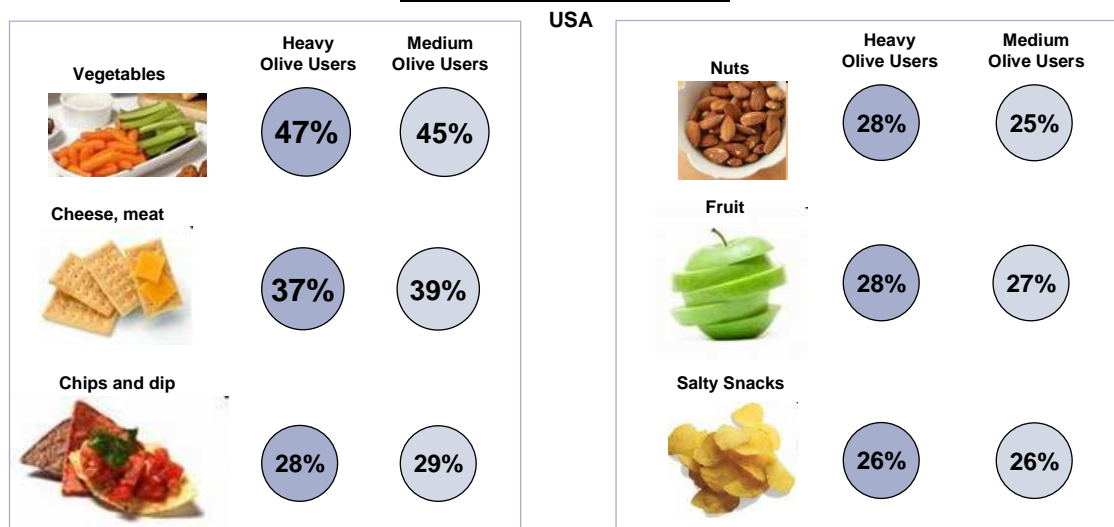
Olives are used in a variety of ways among the heavy and medium users, from cooking to toppings to snacking



Olives are seen as a potential substitute for vegetable snacks

- Meat and cheese snacks could also be a snacking occasion that could be replaced with olives

Table Olive Snack Replacements





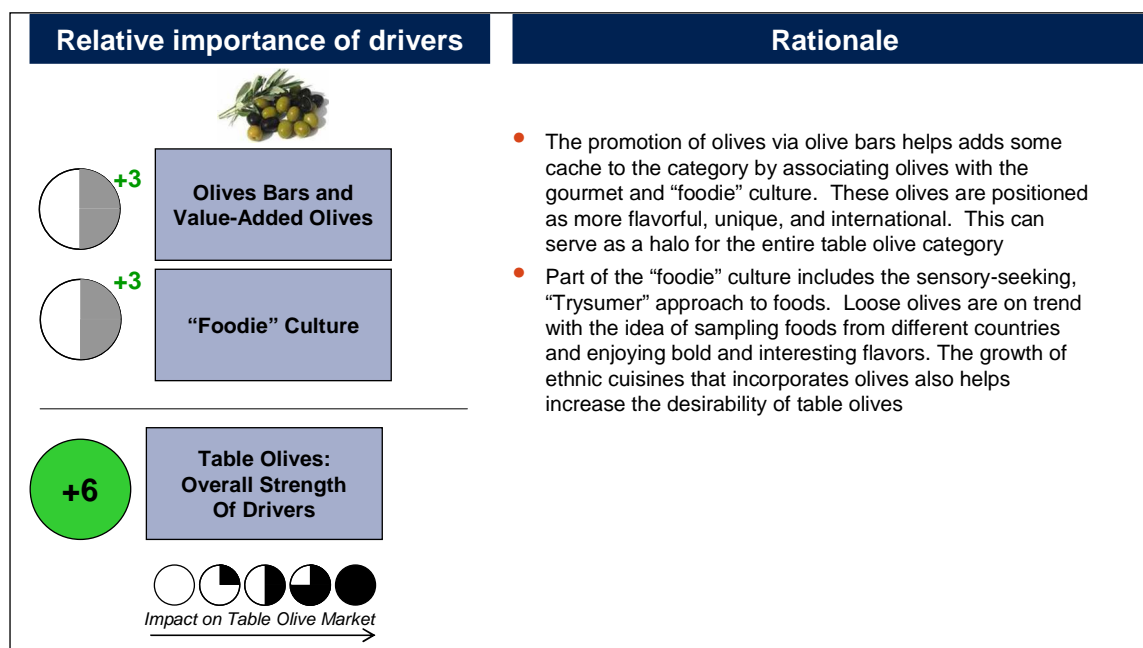
% who consider olives a replacement for the snack

As with the Drivers and Barriers section of this report for olive oil, Datamonitor has adopted the same methodology to assess and weight the influences on the table olive market using the Harvey Ball system to provide a understand the varying degrees of influence each driver and barrier has on the market potential for table olives.






To reiterate, for the purposes of this assessment a driver is defined as being a compelling movement that may stimulate growth within a market, while a barrier is defined as being an obstacle that prevents movement or access within a market.

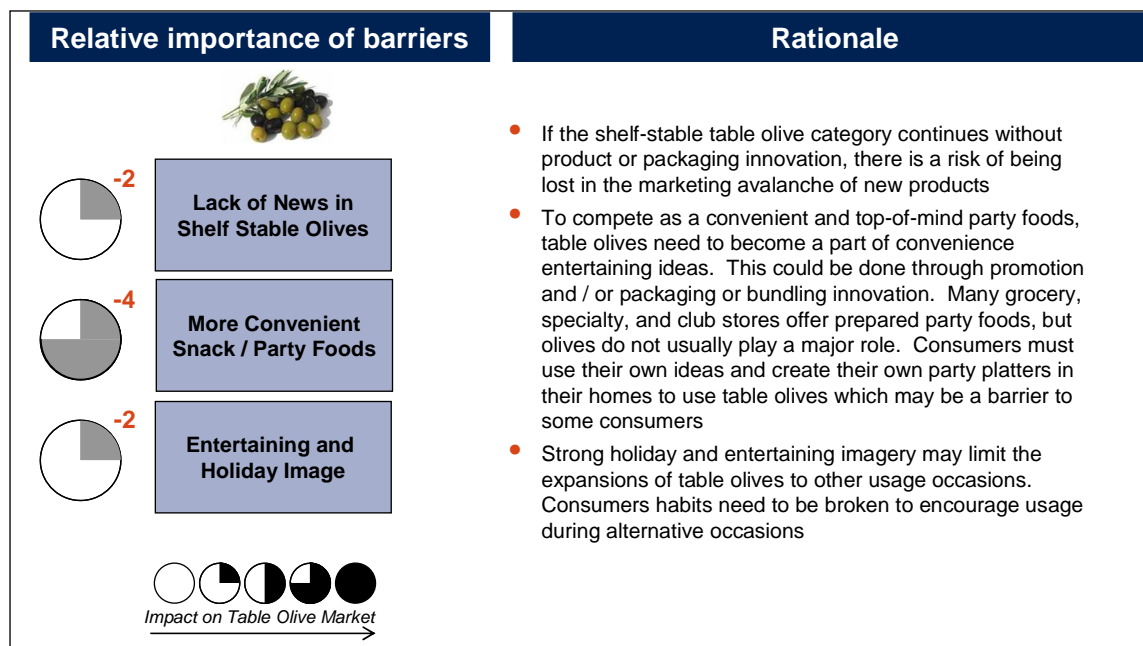
Key Drivers – Table Olives

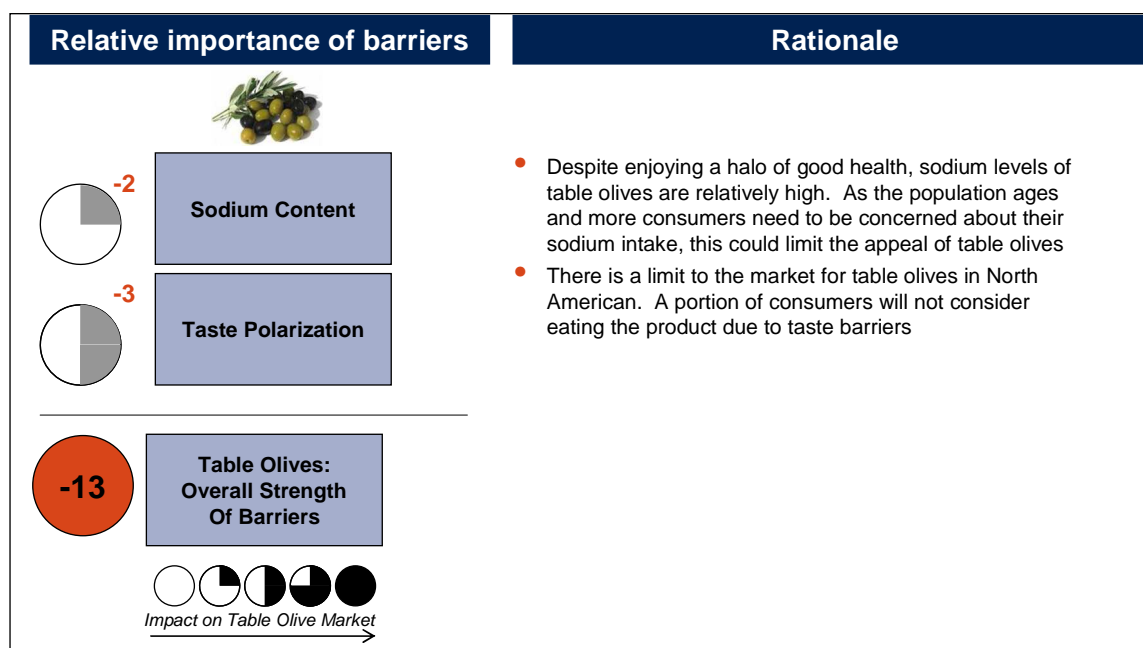
Drivers	Factor description
 <p>Expansion of Olive Bars and Value-Added Olives</p>	<ul style="list-style-type: none"> Specialty grocery stores such as Whole Foods, The Fresh Market, and Fairway, with a focus on more upscale, fresh, interesting foods have grown in presence. These stores have helped increase consumers' exposure to a variety of olives The expansion of olive bars and new specialty offerings add a halo of gourmet-quality and interest to the olive category. Olives are more top-of-mind for consumers who shop in these stores and are positioned in a fresh, exciting new way Olives bars are still minimally located so the impact of this driver is limited to those who are exposed to the bars and to specialty olives. Those who shop only in traditional grocery stores or mass market stores such as Walmart will not be exposed to olive bars National olive brands are introducing more stuffed, flavored, and specialty olives
 <p>"Foodie" culture</p>	<ul style="list-style-type: none"> Specialty and loose olives sold on an olive bar are on-trend with the "foodie" culture of trying new and flavourful goods Olives also enjoy the halo of olive oil that is closely aligned with the cooking and food-passionate culture



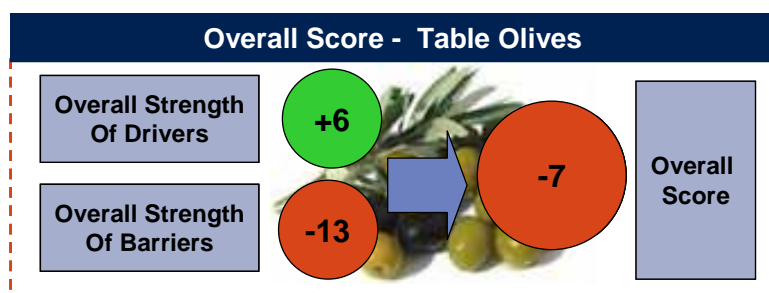
Key Barriers – Table Olives

Barriers	Factor description
 Lack of Recent News in Basic Shelf-Stable Olives	<ul style="list-style-type: none"> Lack of marketing, innovation, and in-store visibility combine to keep olives as a minor category in supermarkets The shelf presence of olives is small and is located in the middle of the store, away from fresh offerings so the category can be difficult to locate in a big grocery store or supercenter
 Lack of Convenience Versus Other Snack and Party Foods	<ul style="list-style-type: none"> Other snacking foods have enjoyed recent innovation for easier snack consumption and resulted in shifts in consumer habits. (i.e. baby carrots as a snack food, string cheese) Foods for entertaining are also more convenient with pre-made trays widely available (i.e. vegetable or cheese / meat trays in grocery stores, prepared dips, variety of chips.) Olives are not typically part of these offerings
 Entertaining and Holiday Image	<ul style="list-style-type: none"> The seasonality of olive retail sales (high Q4) indicate that olive-serving is restricted to holidays and entertaining Many consumers tend to associate olives with special events and entertaining which can limit their everyday usage Olives used to be part of a standard relish tray that was served for entertaining or special meals, but this tradition has lost favour
 Sodium content	<ul style="list-style-type: none"> Sodium levels are one of the barriers to usage cited by non-users in the consumer survey Overall, consumers are bombarded with messages to cut sodium from their diets
 Taste polarization	<ul style="list-style-type: none"> Unlike other food categories, the taste of olives is a major barrier to consumption amongst a large proportion of the population Canadians are not nearly as positive towards table olives as Americans, but even in the USA, there is still a large number of consumers who will not consume olives in any form





Driver and Barrier Summary



A negative score of -7 highlights why the table olive market is declining across North America as a whole, and why extent of the problems facing the table olive industry, as previously emphasised.

It also underscores why promotional activities for table olives should be linked to those of olive oil as the halo effect of olive oil will ensure that there is a pull through effect into the table olive category. However, this does need to be carefully managed as the negative perceptions around table olives from a health perspective and also from a taste perspective need to be controlled in order not to jaundice the views of potential new olive oil consumers. The International Olive Council needs to ensure that the health benefits of table olives are made more apparent to consumers, as at present this information is clearly lacking in the US and Canadian markets.

As already stated the main area that can be controlled through promotional activities by the International Olive Council is the marketing of table olives for special events and seasonal occasions, actually turning a barrier to increased consumption into a positive message, that will in turn hopefully spur consumers to actually increase the frequency of their olive consumption beyond the obvious target occasions.

Unfortunately, as also previously stated, many of the other activities needed to drive table olive consumption in the USA and Canada are reliant on the actions and initiatives of table olive processors, distributors and importers to improve the relevance of their product offerings to consumers. The International Olive Council through its activities and influence with trade associations and industry players needs to identify ways that issues such as convenience can be addressed and catalysed – so that in the medium term convenience barriers are able to be removed from the mindset of consumers. Similarly, the International Olive Council also needs to wherever possible assist industry associations and market actors to spur the installation and development of olive bars across a wider range of supermarkets and retail outlets in the USA and Canada, as a restricted centre aisle presence will only lead to a continued diminution in table olive consumption across both countries.

Proposed Promotional Activities – USA and Canada

The US and Canadian markets and their consumers have much in common in terms of their general attitudes and behaviours, and in the way they respond and receive marketing messages. As such, despite there being several distinct differences between the two countries and their consumption of olive oil and table olives, the most cost effective and means of promoting and encouraging volume growth of both products in each country is to in effect treat them as one entity.

Consumers in the USA and Canada are media and marketing savvy. Nearly all consumers in these countries have been brought up with and are constantly exposed to high intensity marketing messages and calls to action. It is estimated that the average North American consumer is exposed to up to 3,000 advertising messages every day, and as such has a well developed filter to only actively receive the messages that they want to receive. This filtering of information has also had the effect of making the American and Canadian consumer lazy – in that they expect messages to be clear, concise and directly relevant to their lifestyles and need states.

Further, because of this ability to be able to filter irrelevant messages, it is imperative that target audiences for any marketing campaign are identified clearly in advance so that expenditure can be minimised and spent most effectively. This becomes especially true when a campaign is planned to last for more than one year or where there are planned to be multiple points of contact with audience members – often articulating different messages, but with the intention of driving and securing the same outcomes.

US and Canadian consumers are also very familiar with commodity advertising campaigns, with industry lobbies and trade associations spending large sums of money each year to promote their products generally and in a non-brand specific way reinforce the benefits of continued or increase purchase of their goods – often centred on cultural heritage (part of the American way-of-life), health benefits (better-for-you) or parochialism (buy American and save local jobs). For example, the milk, beef and almond lobbies in the USA each have marketing expenditure budgets in excess of \$20 million, while leading players in each industry also undertake their own campaigns as well. As already identified the canola industry spends \$1.5 million alone each year on its website and in securing influencer endorsements for its products, from the likes of leading chefs, doctors and dieticians.

Accordingly, the activities of the International Olive Council in the USA and Canada need to be extremely focussed so as not to become lost amidst all of the noise to which American consumers are already subjected. The activities should also be largely focussed on driving consumption of olive oil, and not olive oil and table olives to equal measure. This is because the messages associated with olive oil are inherently more positive, and due to the cross-usage of both products, there will be a halo effect that will drive follow through consumption of table olives. Also, marketing campaigns tend to be most effective when a product is on an upward consumption curve, something that is clearly true of olive oil, but not of table olives. Further, the opportunity for incremental volume increases in olive oil consumption is far greater than that available in table olive consumption, meaning that returns on investment from expenditure made will be far greater. As a point of reference, the benchmark for return on investment from commodity marketing campaigns is an incremental increase of between \$3 and \$6 for each dollar spent.

Accordingly, Datamonitor has identified seven key underlying principles that should be the primary aims of the marketing and promotional campaign:

1. Focus on the olive oil consumer – as stated above, the return on investment will be more substantial;
2. Focus on increased usage among heavy and medium olive oil users – do not look to achieve growth in penetration;
3. Encourage switching occasions away from other oils and fats – switching consumers away from soy oil in particular will deliver substantial volume growth;
4. Focus on retail sales volumes – foodservice demand is beyond the control of the consumer and the opportunities for increased olive oil usage are limited due to the nature of the market;
5. Educate olive oil consumers about olive oil (and about table olives) – consumers want to learn but messages are currently confused and need to be simplified
6. Emphasise olive oils ability to enhance the flavour of food – consumers want flavour rich food and want to be able to simplify enhance meal occasions
7. Only cross-promote table olives when a consumption opportunity exists – focus on seasonal and entertaining occasions

Based on the above seven principles, the primary target audience at which promotional activities should be targeted, based on the results of the consumer survey has been identified as follows:

Demographic Make-Up

- Medium and “lighter” heavy at-home users of olive oil
 - These are consumers who currently use olive oil at home from a few times a month to once a week.
 - The key aim is to encourage these users to switch away from other cooking oils that they have on hand and to use olive oil in a far wider range of applications.
- Female consumers aged 35+
 - Women still tend to be the grocery gatekeepers and are responsible for the vast majority of shopping trips undertaken in the USA and Canada.
 - Consumers aged 35+ are more likely to cook at home, and therefore form a larger proportion of consumers who prepare meals from scratch. They are also more likely to have multiple people in the household and young families.
- Household income of over \$50,000 per annum

- Olive oil usage due to its price point skews towards higher income households, meaning the premium involved in making the purchase is less onerous.
- Higher income households also tend to have higher education attainment standards and therefore are often more open to receiving messages associated with improved lifestyle quality and health.

Attitudes and Behaviours

- The target audience is already primed to hear positive messages about olive oil and to a degree about table olives
 - They already consider olive oil to be healthy, flavourful and versatile
- The target consumer group is already actively interested in food and cooking
 - This does not mean that they are necessarily interested in gourmet cooking or highly-complex recipes (like all US and Canadian consumers simplicity and convenience are still important factors) – but they do want to use a product that is practical and convenient at home
- The target consumer segment is interested in healthy eating
- The target consumer segment enjoys flavour-rich foods and wants a varied diet
- The target consumer segment already considers olive oil to be a staple food in their kitchen
- The target consumer group also uses other cooking oils, more than they currently use olive oil, and is susceptible to messages that will make them change their current cooking habits.

Two examples of what the target audience for the marketing campaign may look like are as follows:

Target Portrait #1

- Julia is a mother of two, who lives in a suburb outside Atlanta, Georgia
- She works as a teacher and her husband is self-employed as an accountant
- Their family started using olive oil a few years ago after Julia read that it was a healthier oil
- Now that they have children they eat at home more than in the past, but with after-school activities and sports there is not always time to sit down for a relaxing dinner



Fats and Oils in their Home



Julia says:



"I'm trying to cook more fish these days. I usually cook it in butter for good flavor."

"I like to watch cooking shows on the Food Network, but I don't often get a chance to make any of the recipes they make."



"I need to get dinner on the table before the kids melt down. What do I have in the house that I can turn into a meal?"

"I work during the day and I don't have a lot of time to cook at night. I like to feed my family healthy whenever I can, but sometimes I just want to go for the fast option."



Target Portrait #2

- Linda and Frank are in their early fifties and live in San Diego, California. They have two children who are away at college
- They both work full time in middle management positions
- They've been using olive oil for about 10 years but still do a lot of their cooking with butter
- Without kids in the house they have more time to cook and enjoy new foods. They like trying new things and trying different wines with their meals



Fats and Oils in their Home



Linda and Frank say:

epicurious
for people who love to eat



Linda: "I like to get recipes online. I usually look at the Food Network website, epicurious, and allrecipes.com."

"Now that we more free time, we're both able to be a little healthier. We both exercise when we can and try to eat healthy when we cook at home."



Linda: "The cooking shows are a fun way to get inspired about cooking. I don't always make the recipes exactly like they're shown, but it gives me good ideas for things to do at home."



"We do a lot of cooking on the grill. We usually marinate fish or chicken in one of those interesting sauces you can get at the grocery store or sometimes we make our own marinade."

Linda and Frank say:



"We're trying to use mainly canola and olive oil for cooking but we're not always sure which one is better for which foods. I think canola is better for baking but I've always wondered how olive oil would taste in a baked good. Would the flavor be strange?"

Frank: "I know it's not good for us, but I really like using butter for cooking. It just tastes so good in a lot of foods."



"There's more products on the market these days with olive oil in it. We've been giving some of them a try."



"We like to put out fancy olives for parties. We get them at the olive bar at Whole Foods. It's fun to try new ones."

Expenditure Recommendations

Olive oil presently has a household penetration rate of 44 per cent across the USA and Canada. This means that 57,596,000 households buy olive oil at some point over the course of a twelve month period. The target audience of medium to light heavy users represents approximately one-third of the total number of households – 19,199,000 home where there is the potential to increase volume consumption.

For example, if ten per cent of these households could be encouraged to increase their consumption of olive oil by half a litre per annum, this would result in an increase in sales volumes of 9,600 hectolitres. If it is further assumed that the purchase would most likely be Extra Virgin Olive Oil at an average retail price of \$8.00 per 500 millilitre bottle, then the incremental revenues generated would be \$15.4 million – which assuming a 5:1 return on investment would equate to annual promotional expenditure of approximately \$3.1 million per annum across the USA and Canada.

It is assumed that any incremental benefit that would come from an increase in table olive volumes would serve only to improve the return of investment outcomes.

The following table provides a summary of the promotion activities to be undertaken and their associated costs in Year 1 and Year 2. In this table figures are given in aggregate assuming calendar year spend and are not phased in order to take into consideration the timings associated with the campaign. Costs are provided in Euro based on an exchange rate of 1.3 to the US dollar.

Table 17: Proposed Promotional Activities and Associated Costs		
Activity	Year 1	Year 2
Creation of website and corporate identity, inclusive of hosting and updating the site.	€463,000	€192,000
Securing of consumer and celebrity endorsements	€123,000	€77,000
PR Launch Event: <ul style="list-style-type: none"> Option 1 (single event): Option 2 (multiple events): 	€346,000 €185,000	NIL
PR, media and launch event press activities	€77,000	NIL
In-store promotional campaign	€461,000	NIL
National press and lifestyle magazine advertisements	€269,000	NIL
Search Engine Optimisation	€77,000	€77,000
Banner Advertising	€115,500	€115,500
On-going PR Campaigns	€192,500	€192,500
Total Expenditure:		
PR Event Option 1:	€2,124,000	€654,000
PR Event Option 2:	€1,963,000	€654,000

As outlined in fuller detail in the following section of the report, the promotional campaign would not commence until the US holiday season, which commences at Thanksgiving in November of 2010. Therefore, the activities detailed above would not need to commence until October 2010 and accordingly based on the International Olive Council's financial year, expenditure would could be spread over two years – being 2010 and 2011. The International Olive Council has indicated that it would be optimal to spend €900,000 in 2010 and by implication based on the total expenditure figures detailed above the remainder of the programme establishment costs, as well as ongoing promotional costs in 2011.

Taking this in consideration therefore the fazed expenditure for 2010 and 2011 is detailed as shown in Table 18. It should be noted however that the optimal level of activity around the launch of the website will be definition need to be diluted, with the proposed in-store promotional campaign being moved into 2010, PR event option 2 being selected and with advertising in newspapers and magazines being less concentrated.

Table 18: Fazed Promotional Activities and Associated Costs 2010 and 2011

Activity	2010	2011
Creation of website and corporate identity, inclusive of hosting and updating the site.	€367,000	€192,000
Securing of consumer and celebrity endorsements	€123,000	€77,000
PR Launch Event: <ul style="list-style-type: none"> Option 1 (single event): Option 2 (multiple events): 	NIL €185,000	NIL
PR, media and launch event press activities	€77,000	NIL
In-store promotional campaign	NIL	€461,000
National press and lifestyle magazine advertisements	€134,500	€134,500
Search Engine Optimisation	€19,250	€77,000
Banner Advertising	NIL	€115,500
On-going PR Campaigns	NIL	€192,500
Total Expenditure:		
PR Event Option 1:	n/a	n/a
PR Event Option 2:	€905,750	€1,249,500

Please note that all of the above costs are approximations based on the assumptions detailed above. The exact specifications for the activities to be undertaken will drive and determine the final costs incurred by the International Olive Council and will need to be established in conjunction with the agency partner it chooses to work with in order carry out these recommendations.

The timing of the activities based on the above fazed cost plan is provided at the end of the following report section.

Detailed Promotional Plan

Creation of a single authoritative source for information about olive oil and table olives

At present the messages around olive oil are confused meaning that there is no single authoritative source in North America that consumers can refer to get impartial information about olive oil and table olives. Indeed, the existing trade associations in North America have little or no presence or awareness with consumers. This leads to category confusion and is one of the main reasons cited by consumers as to why they tend to not have olive oil product preferences, regional preferences or any idea about the potential usage of different types of olive oil and their applications. Similarly, there is also no source of information available to inform consumers about the differing varieties of table olives and their flavour variances.

As such a website, similar to www.canolainfo.org needs to be created and subsequently promoted. The website should at a minimum contain the following core sections:

- History of Olives and Olive Oil
- Olive Oil Varieties and Selection Guide
- Table Olive Varieties and Selection Guide
- Health and Nutrition Information
- Recipes and Cooking Information (linked to the Variety and Selection Guides)
- Endorsements from Chefs and Academics
- Endorsements from Consumers
- Interactive Feedback
- Foodservice Information
- News and Events

In order to make the site pertinent and relevant to US and Canadian consumers, a corporate identity and URL that can become instantly recognisable will need to be created, and to ensure tie-in with other marketing activities and events associated with the website and olive oil and table olive promotion generally.

The site and its content would ideally ultimately be available in English, French and Spanish in order to ensure ease of use across the three main language groups in North America, however, for the initial first two years of site operation it is recommended that the content be provided in English only in order to manage the cost of maintenance and content creation.

While the site will naturally have a reach beyond medium and light-heavy users of olive oil and table olives, it is recommended that the site focuses first and foremost on the taste benefits of olive oil and table olives and not on health and wellness. This is because the target consumer that will drive consumption is already sold

on the healthy aspects of olive oil in particular, and also believes table olives to be healthy as well. What they desire is an understanding of how they can use more olive oil and what types of olive oil will help them to enhance the flavour benefits of meals they prepare at home.

Similarly, the site should avoid having an overly traditional Mediterranean feel and theme from a design perspective. Mediterranean imagery in the promotion of table olives and olive oil in the USA and Canada has become stale, and in some ways is associated more with old-style Italian trattoria than with foods that are being promoted as a vital part of modern day life and living.

For the site to become the true oracle for information about olive oil and table olives, manufacturers and existing US industry bodies and associations need to endorse its creation and also the messages that it communicates – as in theory, other than for messages associated with a specific brand, existing sites would need to be updated to reflect this one version of the truth.

It is also important that the site is regularly updated – preferably on a daily basis – so that it does not become static and actually encourages consumers and foodservice operators to regularly to visit the site. At least two people, either directly employed by the International Olive Council or the agency engaged by the International Olive Council to implement this marketing plan and strategy needs will need to administer the site.

The site would become the focal point of other social media interactions, with updates from the site being posted on sites such as Facebook and Twitter. Visitors to the site should be encouraged to join a Facebook group and to follow “Olives” on Twitter in order to receive the latest information as and when they require it. Additionally, the Interactive Feedback section of the site should be promoted (and moderated) in order to encourage consumers to share their experiences with olive oil and table olives, and also post their questions about olive oil and their suggestions about product formats and offerings. Proactively engaging with consumers in this manner creates product loyalty, usage occasions and means that there will be a central point for information sharing back to industry participants so they can ensure that there new product development initiatives on trend and on theme with consumer demand.

Similarly, a separate Foodservice Professional interactive grouping should be encouraged and developed to allow chefs and restaurant owners to use the site as a forum to discuss how they use olive oil and table olives in their kitchens, menu formulations and to share success stories. As with the consumer section of the site any posts would need to be moderated in order to ensure that discussion about olives and table olives remains positive and is not “hijacked” resulting in the inadvertent promotion of competing products.

The Interactive Feedback section and Foodservice Professional section of the site would by definition require participants to register on the site, thereby allowing for the creation of a marketing database to which regular monthly newsletters could be sent. Once the database reaches critical mass, most likely in the second year post site launch, consumer and professional competitions could be launched in order to provide a trade-off for ongoing receipt of marketing materials.

It is the intention of the International Olive Council that the site would be operational and ready for launch to coincide with the North American holiday season at the end of 2010.

Site content development

At the point of website creation, it is imperative that all sections of the site are fully populated – including endorsements from chefs, celebrities, health professionals and consumers. A minimum of five endorsements should be available from chefs, celebrities and health professionals (fifteen in total) focussing on different aspects as to why olive oil and table olives will enrich and enhance the lives of consumers. Similarly, a minimum of ten endorsements should be available from consumers.

Reaching consumers willing to contribute to the site is seemingly more problematic due to the fact that at present no database of consumers exists, as the website is not in existence and as such feedback can not be used to capture details of olive oil and table olive consumers. As such it would be recommended that industry participants nominate known consumers of their products in order secure these endorsements.

The process of collecting endorsements will need to commence immediately upon award of the final contract by the agency concerned and will need to be completed in time for the launch of the website as this will be an integral part of the site, in many ways establishing immediate credibility as an authoritative source of information.

Driving traffic to the site and web marketing activities

Anybody can create a website. It is a different matter altogether to encourage traffic to visit the site, and another matter to encourage repeat visits to the website.

As such the success of the website in becoming the central focus for information about olive oil and table olives in the USA and Canada will be predicated by other activities to promote its launch and also through appropriate search engine optimisation and advertising strategies.

As a first step, there needs to be a co-ordinated campaign focussed on both consumers and key industry stakeholders at the point the website is launched in order to spur initial usage and interest. Accordingly, the following sections and the activities recommended therein are all directly related to the promotion and marketing of the site itself, both at the point of launch and on an ongoing basis in order to ensure continued and increased usage of the site.

PR Events

Either a single major PR event needs to be hosted, either in California, being the home of the US olive industry, or in New York, its gastronomic capital, to promote the website's launch; or alternatively a series of PR events need to be held on a regional basis in six major cities across the USA and Canada in order to promote the launch of site. The recommended locations for the six regional events would be San Francisco, New York, Chicago, Dallas, Miami and Montreal. Invitees to these events could include:

- Key executives from leading North American olive processors, growers and importers, and potentially also senior executives from major suppliers to the market such as Hojiblanca;
- Food and lifestyle editors from leading US daily newspapers, leading lifestyle magazines, as well as editors of websites such as Epicurious;
- Head chefs from upscale restaurants;

- Celebrity chefs, such as Rachael Ray, who coined the term EVOO for Extra Virgin Olive Oil in the USA; and
- Leading health professionals, including doctors and dieticians that are willing to attest to the benefits of olive oil and olives as part of a healthy diet (and also academics researching the benefits of olive oil and table olives if appropriate).

The number of attendees at a flagship launch event should be capped at a maximum of 150, whilst each regional event should have no more than 80 attendees.

The key difference between these two potential options is the scale and type of impact that would be made upon the market and accordingly the choice of which approach to adopt should be predicated by which of the options is likely to derive the most impact and best return on investment for the International Olive Council.

It is proposed that if a single flagship event were to be held that this be done on the day of the launch of the site, and indeed even if the series of regional events were to be held it is suggested that one event should stand out from the others to act as the primary launch function. This first event would need to take place in prior to commencement of the US holiday season, and all six events, if applicable, would need to be completed within a three week timeframe in order to ensure completion prior to Christmas 2010.

Regardless of which option is ultimately selected, the event or events would be tied in to a media campaign in leading national or regional newspapers and magazines focussed on the benefits of olive oil and table olive consumption as part of a healthy diet, as well as highlighting the success of olive oil in particular over recent years. Importantly, all articles would feature the website URL, ensuring the link is in the public domain.

Similarly, features would also be run on websites like epicurious.com, allrecipes.com and foodnetwork.com highlighting recipes including olive oil and table olives. These recipes should be simple and should focus on applications that are not traditionally associated with olive oil and table olives in the minds of US and Canadian consumers.

Lastly, and only if already available so that production costs do not need to be incurred, a recent documentary or similar programme on the history of olives and olive oil could potentially be screened on the Food Network to tie in with the launch activities.

Consumer website launch activities

In-store campaign

Bearing in mind that the focus of the promotional activity is to encourage greater consumption primarily of olive oil, and secondarily table olives, among medium- to light heavy consumers, initial website marketing activities should be focussed on reaching these consumers. Once again as the specific details of whom these customers are is unknown, the most effective way to reach them is to undertake an in-store campaign the week after the web site is launched.

The campaign would be centred on providing a double-sided A4 brochure available as point-of-sale to consumers providing a simple “ready-reckoner” guide to olive oil varieties, flavours and their best

applications. The key message however would be centred upon the theme of wanting to know more, and encouraging people to visit the URL predominantly positioned on the flyer. Given that another aim of the promotional activities is not to overtly look to increase household penetration of olive oil, the campaign would be centred on the more upscale supermarket outlets on a nationwide basis. Examples of stores to be included would be:

- Whole Foods Market (276 outlets);
- Wegmans Food Markets (75 outlets);
- Trader Joes (326 outlets);
- The Fresh Market (80 outlets);
- Freshmart (Canada) (54 outlets);
- Safeway (1,743 outlets).

In order to provide sufficient collateral across all participating stores, it is recommended that a minimum of 1.5 million brochures be printed, as well as the manufacturing of the requisite point of sale holders and merchandising equipment to allow for appropriate in-store distribution. The in-store merchandising equipment and brochure holders do not necessarily need to be specifically designed for the campaign and relatively standard off-the-shelf products designed for this purpose could be used, albeit enhanced to display the corporate logo and URL linked to the website.

Each retailer participating in the programme should be provided with a minimum of two brochure holders for prominent display in the olive oil section of the store, and either near to the olive bar (if appropriate) or in the table olive aisle of the store. Given the number of stores estimated to be participating in the programme, this would require the purchase or production of 6,500 holders.

This campaign would look to be run in January 2011 - two months post the launch of the site. Whilst it would be ideal to run the campaign to coincide perfectly with the launch of the website, there is the great possibility that the campaign itself would get lost amongst the plethora of other Thanksgiving and Christmas promotions, and similarly the activity may not be a high priority for the targeted retailers at that time of the year also.

Lifestyle Newspaper and Magazine Advertising

The last activity that it is recommended that takes place to coincide with the launch of the website would be the taking out of prominent full page advertisements in the lifestyle or epicurean sections of the major urban newspapers, leading national lifestyle magazines and also foodservice trade journals. These advertisements should run in editions (as appropriate) immediately following the publication of the articles referred to above, and in magazines due for publication early in the first quarter of 2011 – once again after the site's launch. Ten advertisements in total should be commissioned, with consideration being given to the following publications, based on circulation and also readership considerations. Latest circulation figures are given in brackets:

- USA Today (1,900,116);
- New York Times (927,851);
- Los Angeles Times (657,467);
- The Washington Post (582,844);
- The Toronto Star (2,349,760);
- The Globe and Mail (1,996,582);
- Good Housekeeping (4,652,904);
- Cooking Light (1,773,429);
- Martha Stewart Living (2,091,608); and
- Family Circle (3,823,253)

Ongoing Advertising

Post the launch of the website marketing activities should be focussed on four major programmes:

- Search Engine Optimisation;
- On-line Advertising and Traffic Generation;
- Ongoing PR activities; and
- Securing of further celebrity and media endorsements.

Search Engine Optimisation

Search Engine Optimisation (SEO) activities should actually commence prior to the launch of the site and should continue as long as the site is operational in order to maximise the number of hits to the site and to drive traffic. Any search enquiry for olives, olive oil, table olives or similar terms should return the US olive promotion website within the top three sites of any search list returned by web users in North America (by comparison the canolainfo.org is only tenth on the search list when canola is typed into Google). This can be done through the acquisition of search terms from Google and other search engines, such as Bing.

On-Line Advertising and Continuous Traffic Generation

Banner advertising and pop-up advertisements should be constantly placed on sites such as foodnetwork.com, allrecipes.com and epicurious.com in order to drive traffic to the site. Similarly, websites that have associations with table olives and olive oil in the minds of consumers should also be considered for on-line advertising activities. For example, sites dedicated to the promotion of Mediterranean or Californian

tourist activities or wine websites for instance might provide a good fit and also would be most likely to attract consumers that fit the target demographic that the promotional campaign is designed to reach.

Banner advertising and pop-up advertisement campaigns should be used to drive usage of olive oil and table olives linked to specific events and seasonal activities e.g. to encourage consumption of table olives around the holiday season in November and December, linking to serving suggestions and other seasonal table olive activities highlighted on the site; or to link olive oil to summer grilling, being the prime time for olive oil based marinades, meat toppings and sauces and salad dressings. In both cases, olive oil and table olives linked with pleasant and enjoyable activities.

Ongoing PR Activities

Post the launch of the website, the International Olive Council should look to undertake three more major PR campaigns throughout the first year. Two of the themes for these campaigns should be linked to positive news stories about the olive oil industry or the table olive industry in North America, and either the taste or health benefits of the products. As with the banner advertising campaigns, PR campaigns should be directly linked to seasonal and enjoyable activities such as Canada and the USA's love affair with table olives during the holiday season, or how olive oil can enliven an American summer barbecue.

Celebrity and Media Endorsements

The final activity to be undertaken would be to ensure that high profile celebrity chefs and health professionals continue to endorse olive oil from a taste, versatility and health perspective, providing the website with a fresh selection of endorsements to capture the imagination of consumers. These endorsements should in theory become the "crown jewels" to supplement and validate the positive feedback that should be captured via the site from both consumers and also foodservice professionals. They could also form the basis of at least one of the PR campaigns referred to in the preceding section.

These endorsements could come in the form of retainer payments to celebrities to provide regular contributions to the site, or could take the form of one-off activities over the course of a year in order to provide variety to the site. It would be recommended however that one new celebrity feature is posted onto the site each month.

As referred to above, consumer feedback and indeed food service feedback should be encouraged via the site itself and if operated correctly should require little or no external intervention to secure. The aim would be to have at least five suitable posts appearing on the site per week within four months of the site launch. However, if this is not forthcoming, activities such as competitions and prize campaigns may need to be considered.

Lastly, all activities undertaken by the International Olive Council should as much as possible be supplemented and enhanced by marketing activities undertaken by industry bodies and associations, and wherever possible without compromising the International Olive Council by olive oil and table olive brands as well. This will ensure that the industry communicates with the consumers and users of olive oil and table olives in a seamless manner – ensuring that there are no conflicting messages reaching consumers.

Timeline of Events

Figure 14: Timeline of Events

Activity	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Launch of website inclusive of all content and corporate branding																
Securing of consumer and celebrity endorsements																
Single PR Launch Event																
Multiple PR Launch Events																
PR, media and launch event press activities																
In-store promotional campaign																
National press and lifestyle magazine advertisements																
Search Engine Optimisation																
Banner Advertising																
On-going PR Campaigns																

The above table provides a visual summary of the proposed and foreseen timing for major milestones inherent in the campaign itself, and as detailed in more depth in the preceding section.

It should be noted that the given as the website is the major focus of the promotional campaign and communication to the consumer, that the posting of content should be a continuous and ongoing task. Similarly, as also noted above, the securing of consumer and celebrity endorsements is an activity that also must be ongoing in order to keep the site fresh and credible.

The reason for two different colour shades against banner advertising is to highlight when focussed campaigns should take place centred on an event or activity.

Recommended Agency Partners

There are five agencies in the USA that Datamonitor would recommend that the International Olive Council strongly considers working with in order to execute the suggested media activities detailed as part of this promotional plan. All of these agencies have strong credentials working across commodity and food marketing, as well as in some cases working with international trade associations to further promote the regional, country-specific or ethnic foodstuffs in the North American marketplace.

In the cases of Sopexa, Ogilvy Public Relations and Ketchum, Datamonitor has a strong working relationship and can vouch directly for the quality of the work these organisations would undertake.

Sopexa USA



- **Headquarters:** New York, USA.
- **Ownership:** Independent
- **Services:** Advertising and media strategy, digital marketing, media relations, public relations and events, promotion and trade marketing, dedicated to the promotion of European foodstuffs in the USA.
- **Scope:** An integrated network of 35 offices able to carry out missions in 50 countries
- **Sample clients:** European Authentic Tastes, Wines of France, French Cocktail Hour.
- **Contact information:**
 - Olivier Moreaux, Managing Director, Sopexa North America
 - <http://www.sopexausa.com/about.html>

Ogilvy Public Relations Worldwide



- **Headquarters:** New York, USA
- **Ownership:** Part of WPP, one of the world's largest communications services groups, employing 135,000 people working in over 2,000 offices in 107 countries.
- **Services:** Media relations, digital marketing, product marketing
- **Scope:** 80 offices worldwide, 29 practice groups including the Food & Agri-business practice group
- **Sample clients:** Johnson & Johnson / Aveeno, The Heart Truth / Red Dress Project for Heart Health,
- **Contact information:**
 - Bill Reihl and Kiersten Zweibaum – Senior Vice Presidents, Global Consumer PR
 - <http://www.ogilvypr.com>

Ketchum



- **Headquarters:** New York, USA
- **Ownership:** Part of [Omnicom Group Inc.](#), a leading global marketing and corporate communications company.
- **Services:**
 - A global leader in food, wellness and nutrition marketing. Created the best practices that convert nutrition and health science into compelling marketing tools and headlines.
 - Nutrient marketing, menu-recipe development, commodity board marketing. Marketing to foodservice and ingredient (food technology) channels, strategic planning, brand positioning, multimedia design
- **Scope:** Operates in more than 50 countries and has 5 global practice groups including food and nutrition.
- **Sample clients:** PepsiCo / Tropicana (education on orange juice's potassium health benefits), Beef (commodity council) marketing to food service channel, Canned Food Alliance web marketing campaign
- **Contact information:**
 - Ray Kotcher, Senior Partner and Chief Executive Officer, Ketchum, +1-646-935-3900, ray.kotcher@ketchum.com
 - <http://www.ketchum.com>

Fleishman-Hillard



- **Headquarters:** St. Louis, Missouri, USA
- **Ownership:** Part of [Omnicom Group Inc.](#), a leading global marketing and corporate communications company
- **Services:** Media relations, digital marketing, marketing communications for both consumer and trade markets
- **Scope:** 80 offices worldwide, 29 practice groups including the Food & Agri-business practice group
- **Sample clients:** Dow AgroSciences / Omega-9 Oils, McCain Foods (potato products), PepsiCo better-for-you foods, Clorox / Brita water filters
- **Contact information:**
 - <http://fleishmanhillard.com/client-solutions/food-agribusiness.html>

Weber Shandwick

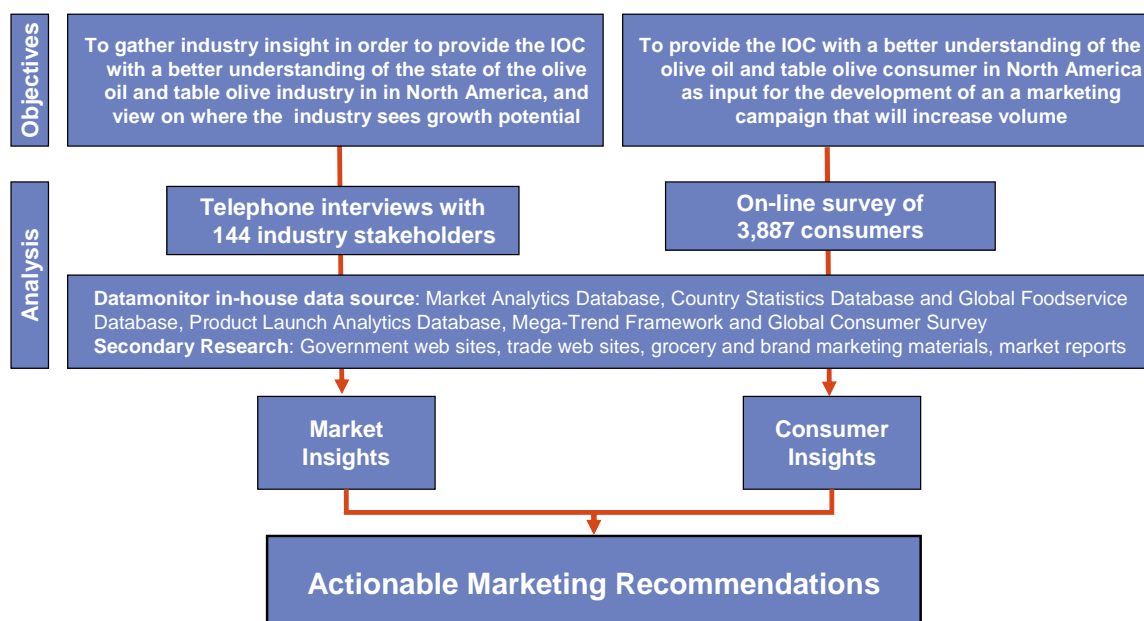


- **Headquarters:** Washington DC, USA and Chicago, Illinois, USA.
- **Ownership:** Part of the Interpublic Group of Companies, a leading global marketing and corporate communications company
- **Services:** consumer outreach, media relations, word of mouth, mobile marketing, interactive and emerging media
 - In addition to their Consumer Marketing practice, they have a specialty Food Issues practice that features experts in nutrition, food safety, food recalls and crisis communications, as well as food and beverage marketing. Offers a unique network of registered dietician spokespeople across the United States who are deployed on behalf of clients.
- **Scope:** 83 offices in 39 countries (and affiliates that expand the network to 125 offices in 77 countries), with 23 offices across the United States and Canada
- **Sample clients:** Got Milk? Campaign, Susan G. Komen For The Cure (breast cancer foundation)
- **Contact information:**
 - New Business in the Americas: [Jill Murphy](#) T: 1-212-445-8339
 - <http://www.webershandwick.com/Default.aspx/Capabilities/Practices/ConsumerMarketing?DivID=3>

Methodology and Research Background

- Datamonitor, in partnership with the International Olive Oil Council has initiated a study of the US and Canadian olive oil and table olive markets as input for a potential marketing program in North America.
- The International Olive Council is interested in growing consumption of table olives and olive oil in the USA and Canada.
- As input for developing recommendations for a marketing program, Datamonitor conducted:
 - A consumer survey to understand attitudes and behaviors in the table olive and olive oil categories
 - Interviews with industry stakeholders to assess general attitudes about the market and potential for growth
- The insights from this survey combined with secondary data and information from Datamonitor's pre-existing New Consumer Insight program have been used to form the basis for a marketing plan and strategy recommendation.
- In addition, the International Olive Council has asked Datamonitor to recommend appropriate brand and advertising agencies that could create and manage their potential marketing campaign.
- This report will identify the recommended consumer target and ideal messages for the International Olive Council's proposed North American campaign.
 - The findings about the consumer target can be shared with the agencies listed at the end of the report, or other agencies with whom the International Olive Council may choose to work.
 - The intention of Datamonitor is that these agencies would make specific recommendations about strategy and tactics for a marketing campaign that support the marketing, targeting, and messaging goals outlined in this document. Recommendations in this document are suggestions only and should be reviewed by the chosen agency.
- Except where specifically noted, statements in this report apply to both the USA and Canada

Primary and secondary data were utilized to understand the olive markets in North America



The consumer survey was conducted on-line in the USA and Canada

- The survey was conducted between 30 October and 4 November, 2009 across Datamonitor's on-line consumer panel in both countries
- Survey topics included:
 - Attitudes and perceptions of table olives and olive oil;
 - Usage and purchasing habits of olives, olive oil, and other cooking oils;
 - Category knowledge; and
 - Interest in beauty and personal care products that contain olive oil
- Datamonitor has provided the International Olive Council with a full break down of consumer responses as an addendum to this deliverable



USA
N=2,630



Canada
N=1,257

Consumer sample characteristics

- The survey was geographically representative
- Respondents were screened to be:
 - Involved in at least half the household's grocery shopping and food preparation; and
 - Aged 18 and older
- The sample was balanced to the population primarily on household income
- Thereafter, the sample was balanced to be nationally demographically representative
- Respondents skewed slightly female (after being screened for participation in cooking and shopping for the household)
 - Females accounted for 54% of the sample in the USA and 57% in Canada
 - Males accounted for 46% of the sample in the USA and 43% in Canada

The industry survey was conducted to obtain insiders' perceptions of growth opportunities

- A total of 144 telephone interviews were conducted with stakeholders from the US and Canadian olive industry
- A structured interview format was followed to elicit information on growth trends, marketing needs, and general opportunities
- Interviews were conducted with:
 - 31 importers;
 - 29 retailers;
 - 27 distributors / wholesalers;
 - 15 food service / restaurant stakeholders;
 - 15 processor / packagers;
 - 11 growers / producers;
 - 8 government / regulatory agency members; and
 - 7 industry association or council members



USA
N=71

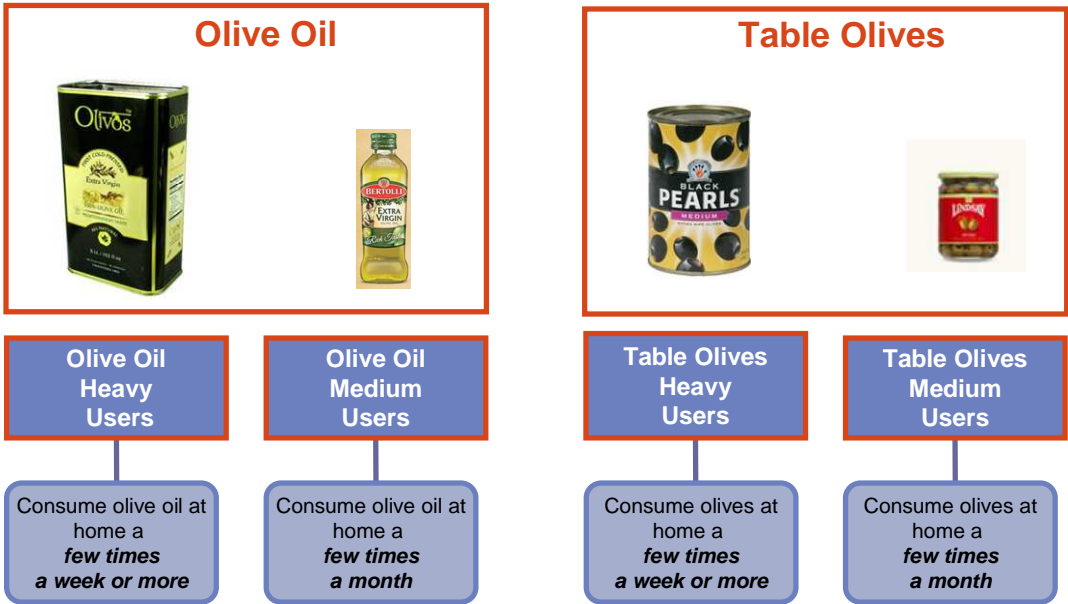


Canada
N=73

The study defined the olive and olive oil market to include typical retail offerings



Consumers were segmented based on their usage frequency of olive oil and table olives



FOS: Fats, Oils, and Spreads



Includes shortening, lard, cooking oil (olive, canola, soy, corn, all others,) cooking oil sprays, butter, and margarine / spreads

OO: Olive Oil



The IOC definition of olive oil is used throughout this report

FDA: US Food and Drug Administration



Regulatory agency overseeing nutrition facts and claims labeling on food and drug products in the USA

EVOO: Extra Virgin Olive Oil



Although the USDA (US Department of Agriculture) does not officially recognize the IOC definition, most products sold in the USA do conform. The Canadian government does recognize the IOC standard

Appendix

Table I

US Olive Oil Supply and Consumption 2000-2013

Olive Oil - Value

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Grower	000s, \$US	0	0	12,275	12,271	13,204	13,790	10,343	17,238
USA	Net Imports for Consumption	CIF	000s, \$US	408,482	369,828	424,905	509,334	721,666	857,027	989,764	947,089
USA	Retail Sales	Retail	000s, \$US	392,945	422,725	455,458	492,429	587,900	648,100	719,000	835,500
USA	Foodservice Sales	OBP	000s, \$US	420,241	450,042	472,402	504,057	586,903	706,681	840,046	731,544

Olive Oil - Volume

Country	Category	Measure Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Produced	hectoliters	0	0	12,070	13,280	14,500	15,140	11,360	18,930
USA	Net Imports for Consumption	Imported	hectoliters	2,116,485	2,227,879	2,296,782	2,204,911	2,563,850	2,575,030	2,553,540	2,860,520
USA	Retail Sales	Sold	hectoliters	587,430	619,310	653,920	685,790	786,000	818,000	851,000	883,000
USA	Foodservice Sales	Purchased	hectoliters	1,390,230	1,459,040	1,500,900	1,553,430	1,736,400	1,771,130	1,806,550	1,842,680

Olive Oil - Price Per Liter

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Grower	\$US	0	0	10.17	9.24	9.11	9.11	9.10	9.11
USA	Net Imports for Consumption	CIF	\$US	1.93	1.66	1.85	2.31	2.81	3.33	3.88	3.31
USA	Retail Sales	Retail	\$US	6.69	6.83	6.97	7.18	7.48	7.92	8.45	9.46
USA	Foodservice Sales	OBP	\$US	3.02	3.08	3.15	3.24	3.38	3.99	4.65	3.97

Olive Oil - Per Capita Consumption

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
	POPULATION		000s	282,171	285,040	287,727	290,211	292,806	295,583	298,442	301,280
USA	Total	n/a	Liters	0.70	0.73	0.75	0.77	0.86	0.88	0.89	0.90
USA	Retail	n/a	Liters	0.21	0.22	0.23	0.24	0.27	0.28	0.29	0.29
USA	Foodservice	n/a	Liters	0.49	0.51	0.52	0.54	0.59	0.60	0.61	0.61

Olive Oil - Value

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 04-08	CAGR 08-13
USA	Domestic Production	Grower	000s, \$US	23,271	31,028	56,742	78,281	101,707	118,321	N/A	38.4%
USA	Net Imports for Consumption	CIF	000s, \$US	1,042,798	829,923	962,608	1,059,996	1,059,609	1,227,212	12.4%	3.3%
USA	Retail Sales	Retail	000s, \$US	954,700	984,313	1,064,527	1,152,312	1,245,356	1,346,650	11.7%	7.1%
USA	Foodservice Sales	OBP	000s, \$US	825,555	670,996	735,257	787,859	828,029	869,492	8.8%	1.0%

Olive Oil - Volume

Country	Category	Measure Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
USA	Domestic Production	Produced	hectoliters	25,550	37,850	72,860	105,827	144,720	177,233	N/A	47.3%
USA	Net Imports for Consumption	Imported	hectoliters	2,851,970	2,851,970	3,068,280	3,217,810	3,122,945	3,511,570	3.8%	4.2%
USA	Retail Sales	Sold	hectoliters	919,000	983,000	1,022,600	1,064,000	1,106,000	1,150,000	5.8%	4.6%
USA	Foodservice Sales	Purchased	hectoliters	1,880,535	1,917,130	1,955,470	1,994,580	2,034,470	2,075,160	3.8%	2.0%

Olive Oil - Price Per Liter

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 04-08	CAGR 08-13
USA	Domestic Production	Grower	\$US	9.11	8.20	7.79	7.40	7.03	6.68	N/A	-6.0%
USA	Net Imports for Consumption	CIF	\$US	3.66	2.91	3.14	3.29	3.39	3.49	8.3%	-0.9%
USA	Retail Sales	Retail	\$US	10.39	10.01	10.41	10.83	11.26	11.71	5.7%	2.4%
USA	Foodservice Sales	OBP	\$US	4.39	3.50	3.76	3.95	4.07	4.19	4.8%	-0.9%

Olive Oil - Per Capita Consumption

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 04-08	CAGR 08-13
	POPULATION		000s	304,228	307,212	310,233	313,232	316,266	319,330	0.9%	1.0%
USA	Total	n/a	Liters	0.92	0.94	0.96	0.98	0.99	1.01	3.5%	1.9%
USA	Retail	n/a	Liters	0.30	0.32	0.33	0.34	0.35	0.36	4.8%	3.6%
USA	Foodservice	n/a	Liters	0.62	0.62	0.63	0.64	0.64	0.65	2.9%	1.0%

Table II**Canada Olive Oil Supply and Consumption 2000-2013****Olive Oil - Value**

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	CIF	000s, \$US	53,550	49,604	56,196	70,985	86,382	110,791	146,123	152,537
Canada	Retail Sales	Retail	000s, \$US	82,648	88,773	96,367	104,576	119,707	131,500	143,300	155,800
Canada	Foodservice Sales	OBP	000s, \$US	33,806	36,311	38,198	40,598	46,988	58,981	75,267	72,194

Olive Oil - Volume

Country	Category	Measure Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	Imported	hectoliters	235,772	248,181	255,856	245,622	275,980	306,900	339,820	391,120
Canada	Retail Sales	Sold	hectoliters	138,033	145,298	154,573	162,708	178,800	189,910	185,870	195,970
Canada	Foodservice Sales	Purchased	hectoliters	98,636	103,827	107,039	110,349	122,610	133,260	142,970	151,230

Olive Oil - Price Per Liter

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	CIF	\$US	2.27	2.00	2.20	2.89	3.13	3.61	4.30	3.90
Canada	Retail Sales	Retail	\$US	5.99	6.11	6.23	6.43	6.70	6.92	7.71	7.95
Canada	Foodservice Sales	OBP	\$US	3.43	3.50	3.57	3.68	3.83	4.43	5.26	4.77

Olive Oil - Per Capita Consumption

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
	POPULATION		000s	31,100	31,377	31,641	31,889	32,135	32,386	32,657	32,936
Canada	Total	n/a	Liters	0.76	0.79	0.83	0.86	0.94	1.00	1.01	1.05
Canada	Retail	n/a	Liters	0.44	0.46	0.49	0.51	0.56	0.59	0.57	0.60
Canada	Foodservice	n/a	Liters	0.32	0.33	0.34	0.35	0.38	0.41	0.44	0.46

Olive Oil - Value

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	CIF	000s, \$US	157,872	121,267	135,309	147,863	161,582	174,909	14.5%	2.1%
Canada	Retail Sales	Retail	000s, \$US	167,100	164,177	177,574	192,064	207,737	224,688	9.2%	6.1%
Canada	Foodservice Sales	OBP	000s, \$US	80,190	71,125	76,366	80,302	84,441	88,794	11.4%	2.1%

Olive Oil - Volume

Country	Category	Measure Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	Imported	hectoliters	378,590	334,600	354,670	375,950	398,510	418,430	6.1%	2.0%
Canada	Retail Sales	Sold	hectoliters	205,060	209,870	218,270	227,000	236,080	245,520	5.1%	3.7%
Canada	Foodservice Sales	Purchased	hectoliters	157,060	160,200	163,410	166,670	170,010	173,410	6.0%	2.0%

Olive Oil - Price Per Liter

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	CIF	\$US	4.17	3.62	3.82	3.93	4.05	4.18	7.9%	0.0%
Canada	Retail Sales	Retail	\$US	8.15	7.82	8.14	8.46	8.80	9.15	3.9%	2.3%
Canada	Foodservice Sales	OBP	\$US	5.11	4.44	4.67	4.82	4.97	5.12	5.1%	0.1%

Olive Oil - Per Capita Consumption

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
	POPULATION		000s	33,213	33,487	33,760	34,031	34,300	34,568	0.8%	0.8%
Canada	Total	n/a	Liters	1.09	1.11	1.13	1.16	1.18	1.21	4.6%	2.1%
Canada	Retail	n/a	Liters	0.62	0.63	0.65	0.67	0.69	0.71	4.2%	2.8%
Canada	Foodservice	n/a	Liters	0.47	0.48	0.48	0.49	0.50	0.50	5.1%	1.2%

Table III**USA Table Olive Supply and Consumption 2000-2013****Table Olives - Value**

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Grower	000s, \$US	455,801	293,278	807,616	510,698	475,054	344,729	410,880	77,370
USA	Net Imports for Consumption	CIF	000s, \$US	346,475	425,112	306,078	295,425	281,861	296,525	285,725	394,529
USA	Retail Sales	Retail	000s, \$US	583,930	691,101	717,100	541,418	482,286	491,762	508,579	529,886
USA	Foodservice Sales	OBP	000s, \$US	859,625	959,293	959,531	866,215	589,250	697,505	875,203	791,814

Table Olives - Volume

Country	Category	Measure Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Produced	Metric Tons	117,778	44,707	120,181	89,127	102,395	87,011	116,528	17,787
USA	Net Imports for Consumption	Imported	Metric Tons	129,816	142,655	101,350	107,820	112,312	117,043	108,769	142,548
USA	Retail Sales	Sold	Metric Tons	65,244	62,709	63,519	63,846	61,836	60,589	58,952	55,165
USA	Foodservice Sales	Purchased	Metric Tons	157,113	157,029	154,988	154,213	152,671	149,617	146,625	143,692

Table Olives - Price Per Kilogram

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
USA	Domestic Production	Grower	\$US	3.87	6.56	6.72	5.73	4.64	3.96	3.53	4.35
USA	Net Imports for Consumption	CIF	\$US	2.67	2.98	3.02	2.74	2.51	2.53	2.63	2.77
USA	Retail Sales	Retail	\$US	8.95	11.02	11.29	8.48	7.80	8.12	8.63	9.61
USA	Foodservice Sales	OBP	\$US	5.47	6.11	6.19	5.62	3.86	4.66	5.97	5.51

Table Olives - Per Capita Consumption

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
	POPULATION		000s	282,171	285,040	287,727	290,211	292,806	295,583	298,442	301,280
USA	Total	n/a	Kilograms	0.79	0.77	0.76	0.75	0.73	0.71	0.69	0.66
USA	Retail	n/a	Kilograms	0.23	0.22	0.22	0.22	0.21	0.20	0.20	0.18
USA	Foodservice	n/a	Kilograms	0.56	0.55	0.54	0.53	0.52	0.51	0.49	0.48

Table Olives - Value

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
USA	Domestic Production	Grower	000s, \$US	508,272	294,259	89,242	329,706	301,825	280,142	1.4%	-11.2%
USA	Net Imports for Consumption	CIF	000s, \$US	408,701	343,194	411,807	330,367	336,875	343,512	4.2%	-3.4%
USA	Retail Sales	Retail	000s, \$US	537,516	548,262	559,786	571,552	583,564	595,830	-1.0%	2.1%
USA	Foodservice Sales	OBP	000s, \$US	903,845	728,261	825,654	910,283	975,095	1,044,522	0.6%	2.9%

Table Olives - Volume

Country	Category	Measure Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
USA	Domestic Production	Produced	Metric Tons	111,528	56,607	20,918	82,193	79,175	77,311	-0.7%	-7.1%
USA	Net Imports for Consumption	Imported	Metric Tons	127,651	116,920	136,920	105,678	104,594	103,482	1.9%	-4.1%
USA	Retail Sales	Sold	Metric Tons	53,628	53,306	53,039	52,774	52,510	52,248	-2.4%	-0.5%
USA	Foodservice Sales	Purchased	Metric Tons	140,819	138,002	135,242	132,527	129,887	127,289	-1.4%	-2.0%

Table Olives - Price Per Kilogram

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
USA	Domestic Production	Grower	\$US	4.56	5.20	4.27	4.01	3.81	3.62	2.1%	-4.5%
USA	Net Imports for Consumption	CIF	\$US	3.20	2.94	3.01	3.13	3.22	3.32	2.3%	0.7%
USA	Retail Sales	Retail	\$US	10.02	10.29	10.55	10.83	11.11	11.40	1.4%	2.6%
USA	Foodservice Sales	OBP	\$US	6.42	5.28	6.11	6.87	7.51	8.21	2.0%	5.0%

Table Olives - Per Capita Consumption

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
	POPULATION		000s	304,228	307,212	310,233	313,232	316,266	319,330	0.9%	1.0%
USA	Total	n/a	Kilograms	0.64	0.62	0.61	0.59	0.58	0.56	-2.6%	-2.5%
USA	Retail	n/a	Kilograms	0.18	0.17	0.17	0.17	0.17	0.16	-3.3%	-1.5%
USA	Foodservice	n/a	Kilograms	0.46	0.45	0.44	0.42	0.41	0.40	-2.3%	-2.9%

Table IV**Canada Table Olive Supply and Consumption 2000-2013****Table Olives - Value**

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	CIF	000s, \$US	45,071	50,961	52,166	35,777	42,431	47,080	50,020	61,061
Canada	Retail Sales	Retail	000s, \$US	52,379	54,232	56,272	51,434	56,673	55,883	51,603	69,523
Canada	Foodservice Sales	OBP	000s, \$US	23,598	26,682	27,313	20,736	21,628	23,813	23,492	27,830

Table Olives - Volume

Country	Category	Measure Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	Imported	Metric Tons	22,820	23,109	23,343	23,460	22,999	23,720	26,112	27,623
Canada	Retail Sales	Sold	Metric Tons	12,807	13,068	13,335	13,607	14,351	14,723	15,017	15,318
Canada	Foodservice Sales	Purchased	Metric Tons	9,585	9,706	9,804	9,853	9,568	9,815	10,011	10,212

Table Olives - Price Per Kilogram

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
Canada	Net Imports for Consumption	CIF	\$US	1.98	2.21	2.23	1.53	1.84	1.98	1.92	2.21
Canada	Retail Sales	Retail	\$US	4.09	4.15	4.22	3.78	3.95	3.80	3.44	4.54
Canada	Foodservice Sales	OBP	\$US	2.46	2.75	2.79	2.10	2.26	2.43	2.35	2.73

Table Olives - Per Capita Consumption

Country	Category	Price Point	Unit	2000	2001	2002	2003	2004	2005	2006	2007
	POPULATION		000s	31,100	31,377	31,641	31,889	32,135	32,386	32,657	32,936
Canada	Total	n/a	Kilograms	0.72	0.73	0.73	0.74	0.74	0.76	0.77	0.78
Canada	Retail	n/a	Kilograms	0.41	0.42	0.42	0.43	0.45	0.45	0.46	0.47
Canada	Foodservice	n/a	Kilograms	0.31	0.31	0.31	0.31	0.30	0.30	0.31	0.31

Table Olives - Value

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	CIF	000s, \$US	61,717	53,998	60,100	63,760	66,330	69,003	4.0%	2.3%
Canada	Retail Sales	Retail	000s, \$US	77,967	74,627	78,193	82,060	86,118	90,377	5.1%	3.0%
Canada	Foodservice Sales	OBP	000s, \$US	32,568	28,236	29,944	31,151	32,407	33,713	4.1%	0.7%

Table Olives - Volume

Country	Category	Measure Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	Imported	Metric Tons	24,565	24,889	26,382	27,174	27,446	27,720	0.9%	2.4%
Canada	Retail Sales	Sold	Metric Tons	15,624	15,936	16,096	16,257	16,419	16,583	2.5%	1.2%
Canada	Foodservice Sales	Purchased	Metric Tons	10,416	10,624	10,730	10,838	10,946	11,056	1.0%	1.2%

Table Olives - Price Per Kilogram

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
Canada	Net Imports for Consumption	CIF	\$US	2.51	2.17	2.28	2.35	2.42	2.49	3.1%	-0.2%
Canada	Retail Sales	Retail	\$US	4.99	4.68	4.86	5.05	5.25	5.45	2.5%	1.8%
Canada	Foodservice Sales	OBP	\$US	3.13	2.66	2.79	2.87	2.96	3.05	3.0%	-0.5%

Table Olives - Per Capita Consumption

Country	Category	Price Point	Unit	2008	2009	2010	2011	2012	2013	CAGR 00-08	CAGR 08-13
	POPULATION		000s	33,213	33,487	33,760	34,031	34,300	34,568	0.8%	0.8%
Canada	Total	n/a	Kilograms	0.78	0.79	0.79	0.80	0.80	0.80	1.1%	0.4%
Canada	Retail	n/a	Kilograms	0.47	0.48	0.48	0.48	0.48	0.48	1.7%	0.4%
Canada	Foodservice	n/a	Kilograms	0.31	0.32	0.32	0.32	0.32	0.32	0.2%	0.4%