



Commodity Profile: Olives

*Hayley Boriss, Junior Specialist
Agricultural Issues Center
University of California
agissues@ucdavis.edu*

According to the California olive industry, olives originated in the Mediterranean countries of southern Europe. Olives were brought to Mexico, and subsequently to California, in the 1700s, however, commercial production did not begin until the 1800s. The industry developed at that time to satisfy the rising demand for olive oil, and production began to flourish in the Central and northern valleys of California. Although originally California olive production was intended for oil, by the early 1900s advances in canning technology promoted higher returns for canned olives and producers changed to producing olives for canning.

Today, California remains the only U.S. state to commercially produce olives and over 99 percent of production is destined for canning as California-style black olives. Much of the olive oil consumed in the United States today is imported. The USDA classifies the olive as a fruit.

Because of its historic predominance for canning, California production comes mainly from table olive varieties. The two main varieties of table olive trees in California are Manzanillo and Sevillano, which respectively accounted for 75 percent and 23 percent of California trees in 2004 (National Agricultural Statistical Service (NASS)). Manzanillo olives are ideal for the black ripe market but can also be used for making oil. The Sevillano variety however, is utilized primarily in the table olive market given its low oil content.

Value-Added Marketing for Olive Oil

Historically, the olive oil industry in California has existed mainly as a diversion option for olive producers in years when production was especially large or when harvested olives were of poor quality. In recent years, U.S. demand for olive oil has increased dramatically, but much of the increase is met by European processors. Italy and Spain have maintained a strong hold on the U.S. olive oil market for several reasons. These include the sheer volume of olive production with its advantages of economies of scale in production of olive oil, and EU subsidies for olive oil producers. These factors enable European olive oil producers to sell their product more cheaply than can California

producers. Despite this European dominance, the California industry has grown in recent years, but much of the growth has occurred in niche products, allowing U.S. producers to receive a premium sufficient to cover higher costs of production (Barrio and Carman). In 2004, there were over 27 operating oil mills in California, with the bulk of production coming from the larger mills (Vossen and Devarenne).

In California, olive oil production occurs primarily in the Sacramento Valley and in the North Coast, with more limited production along the Central Coast, in the San Joaquin Valley, and in the Sierra Foothills. In the last ten years olive oil growers have utilized Italian, Spanish and Greek varieties and high density plantings to take advantage of over-the-row mechanical harvesters for more efficient production (Vossen and Devarenne).

Olive oil competes with other lower-priced vegetable oils such as canola, corn, and safflower oils. Some U.S. producers believe that enforcement of grading standards as published by the International Olive Oil Council (IOOC), could help high-quality California producers compete with European imports. This belief comes from the claim that U.S. imports of European olive oil are actually of lower quality than the same name product sold in the European market (Barrio and Carman). The California Olive Oil Council (COOC), founded in 1996, has established an Extra Virgin certification program that certifies oil that has been pressed from 100 percent California grown olives and meets IOOC standards for chemical and sensory analyses.

Demand

Per capita consumption of canned olives has been variable since 1970, ranging between 0.78 and 1.80 pounds per capita. In 2003, per capita consumption was 1.3 pounds (Figure 1). Canned olives produced in the United States are often consumed on pizzas while most imported canned olives have been preserved and serve other uses (Economic Research Service (ERS) 2003). The continued popularity of the Mediterranean cuisine also contributes to sustained consumption.

In contrast, demand for olive oil has increased significantly in recent years, largely in response to the increased publicity of associated health benefits for non-saturated vegetable oils. Some of the promoted beneficial attributes of olive oil include being a source of antioxidants, vitamin E, and monounsaturated fat, which helps to prevent cardiovascular disease. In addition, the satiating effect of olive oil is thought to encourage reduced calorie intake.

Per capita consumption of salad and cooking oils has increased since 1970 from 15.4 pounds per capita to over 33 pounds per capita in 2004 (Figure 2). Although olive oil accounts for less than five percent of this category, imports of olive oil specifically have increased by nearly 250 percent, from \$292 million in 1989 to over \$1 billion in 2004.

Supply

The largest producer of olives world-wide is Spain followed by Italy, Greece, and Turkey. The United States was ranked 15th in terms of production in 2004 (Food and Agricultural Organization of the United Nations).

The value of U.S. olive production in 2004 totaled \$59.4 million and has been highly variable over the years, largely due to the alternate bearing nature of olive tree production (Figure 3). According to ERS statistics, in 2004, California accounted for 100 percent of the 32,000 harvested acres of olives in the United States and total acreage has remained between 30,000 and 40,000 acres since 1980 (Figure 4). In 2004 nearly 100 percent of olives produced were destined for processing. Of this amount, 87 percent were used for canning and just 8 percent crushed for olive oil. University of California Cooperative Extension estimates that since 1999 2.18 million olive trees specifically for oil have been planted in California. This could result in 750,000 gallons of annual production within 5 years (Vossen and Devarenne).

Imports

The United States is a net importer of olive products, which mainly consist of olive oil entering from Italy and Spain. Imports of olives for all uses exceeded \$1 billion in 2004 (Figure 5). Italy, Spain, and Greece were the three largest suppliers of olives to the U.S. in 2004. Italy accounted for roughly half of total olive imports in the United States, Spain, nearly a third, and Greece less than 10 percent.

Olive oil accounted for about 70 percent of U.S. olive imports. Olive oil predominantly enters the United States from Italy, which accounted for 67 percent of total oil imports in 2004. Spain was the second largest exporter of olive oil to the United States, accounting for 17.3 percent of oil imports followed by Tunisia and Turkey. In 2004, the majority of canned imports also came from Spain (60%) followed by Greece (20%), Morocco (9.5%), and, Argentina (2.5%).

Exports

Olive exports in 2004 totaled \$14 million, well below the \$1 billion value of total imports. Just over half of total export value was attributable to oil products including olive oil blends. The oil was primarily exported to Canada, Mexico, and Israel, while preserved exports were shipped mostly to Japan and Canada.

Prices

U.S. grower prices for olives have been variable over the years, but have followed a generally decreasing trend. Prices peaked in 1981 at \$1,200 per ton (in year-2000-inflation-adjusted-dollars), and were \$523 per ton in 2004 (Figure 6). Weather and the strength of the dollar against the Euro are two factors that influence prices.

Sources

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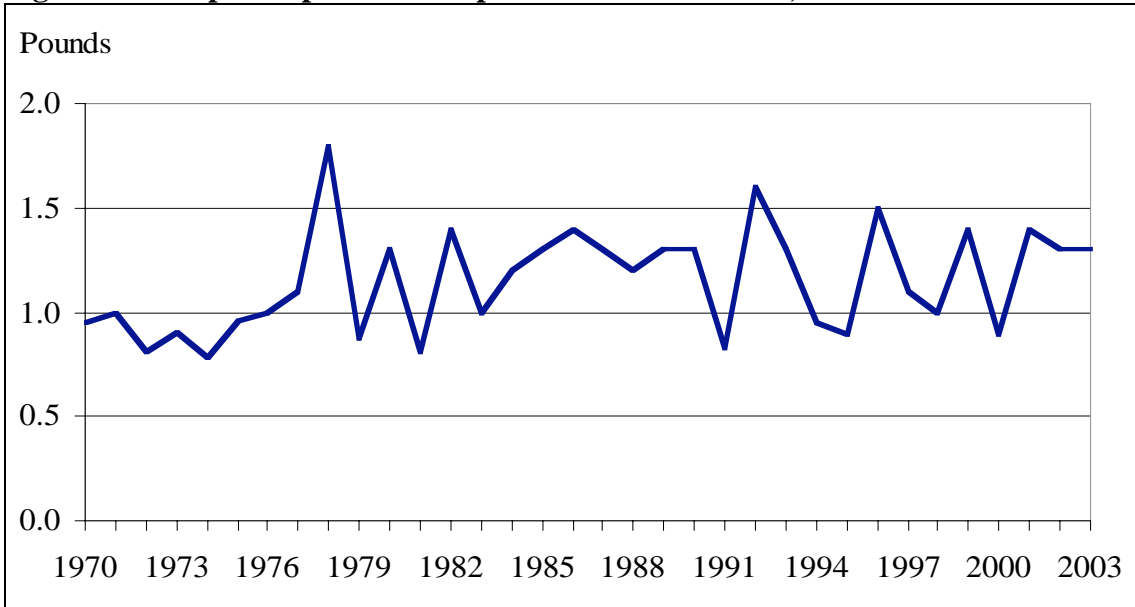
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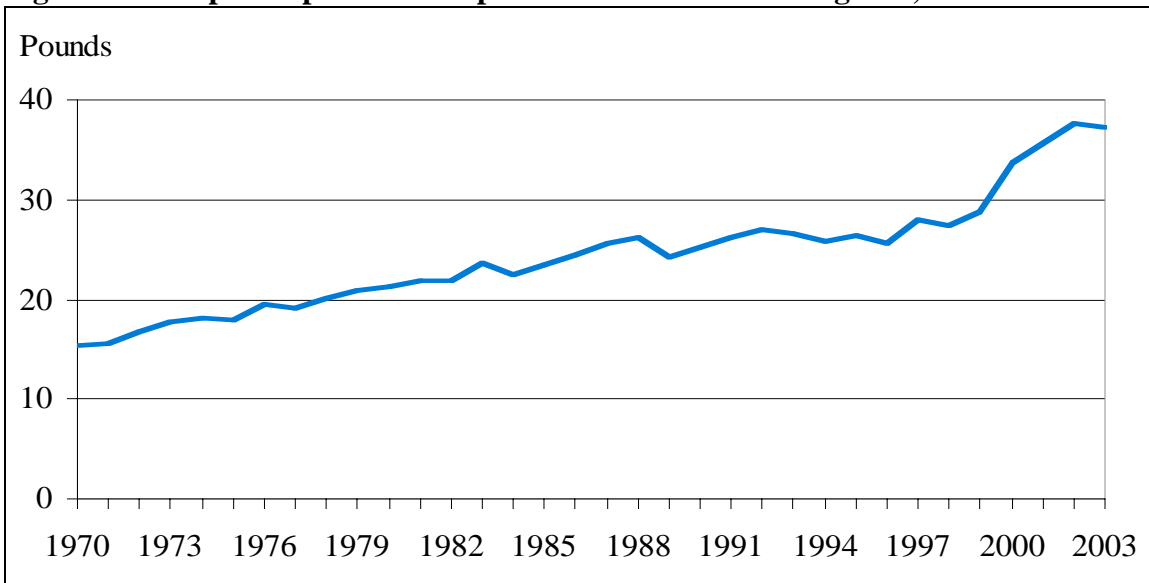
FIGURES

Figure 1. U.S. per Capita Consumption of Canned Olives, 1980-2003



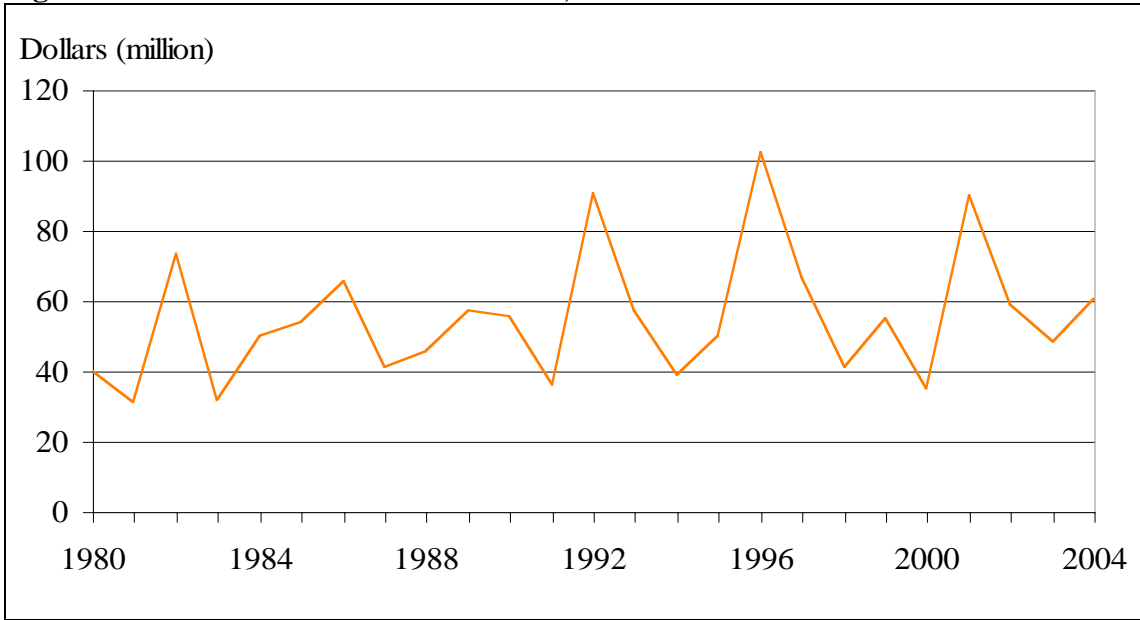
Source: USDA Economic Research Service, *Vegetables and Melons Yearbook*

Figure 2. U.S. per Capita Consumption of Salad and Cooking Oils, 1970-2003



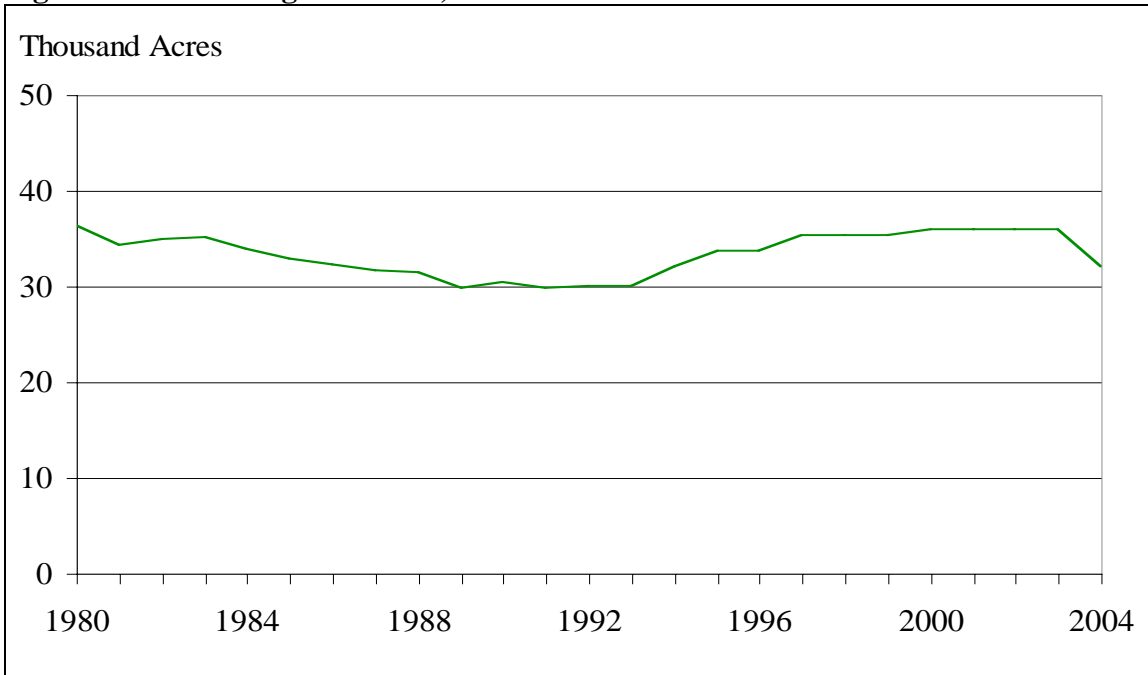
Source: USDA Economic Research Service, *Vegetables and Melons Yearbook*

Figure 3. Value of U.S. Olive Production, 1980-2004



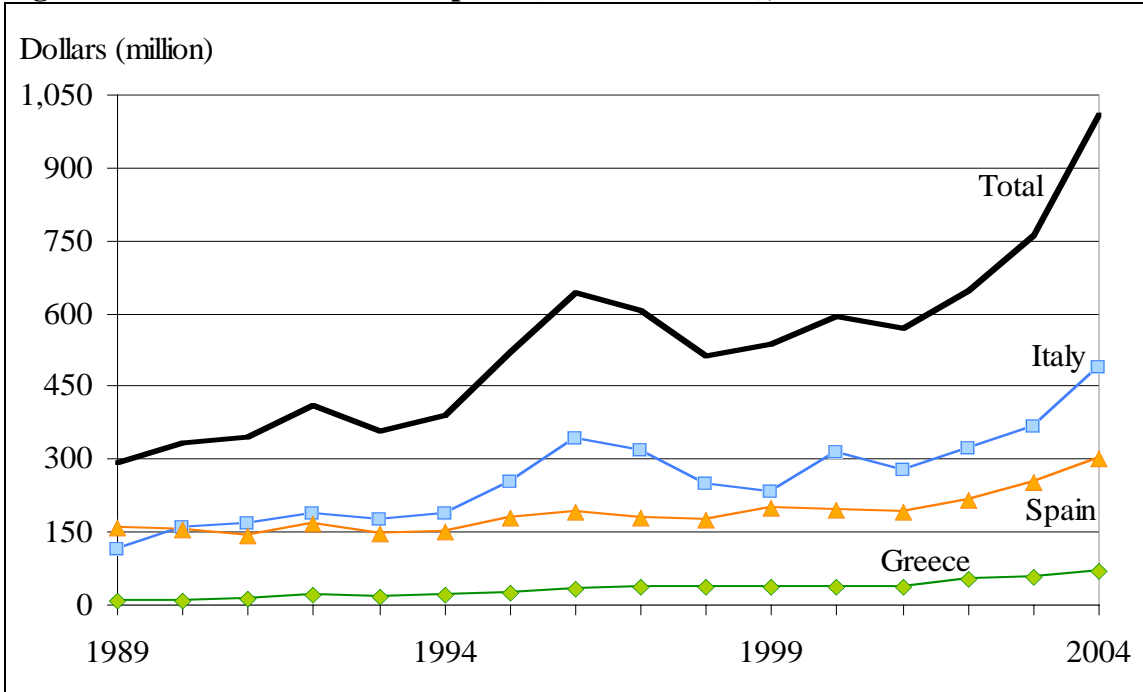
Source: USDA Economic Research Service, Vegetables and Melons Yearbook

Figure 4. U.S. Acreage of Olives, 1980-2004



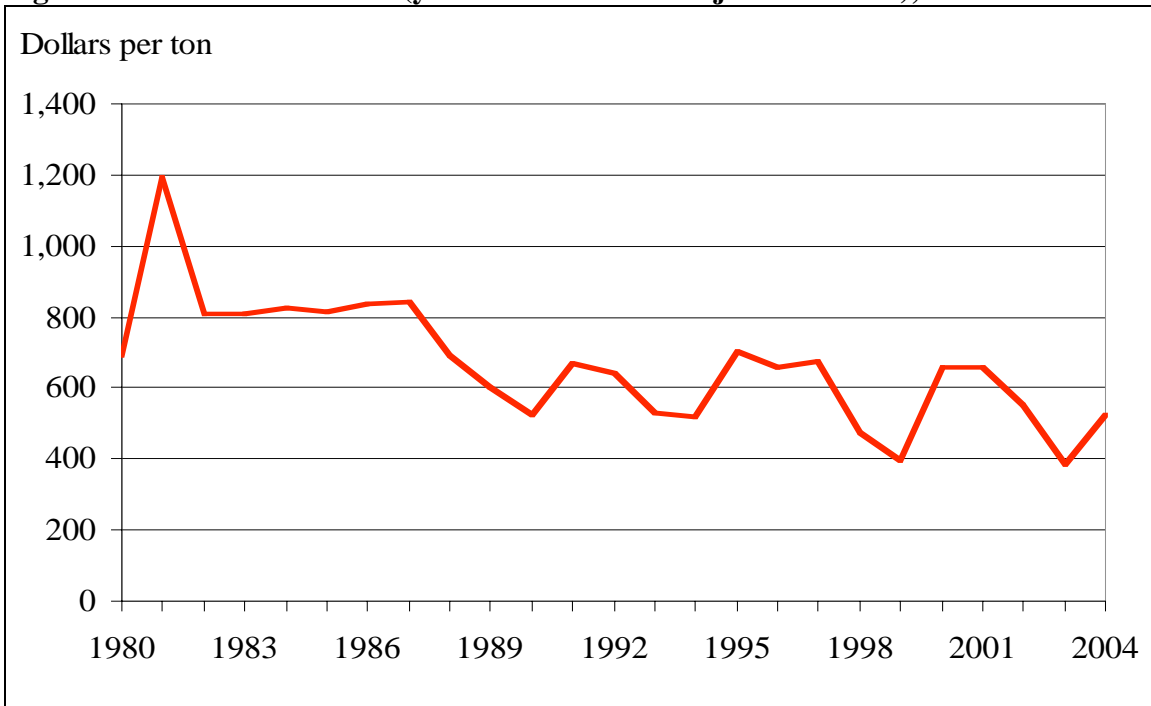
Source: USDA Economic Research Service, Vegetables and Melons Yearbook

Figure 5. Value of U.S. Olive Imports (Oil and Canned), 1980-2004



Source: USDA Economic Research Service, Vegetables and Melons Yearbook

Figure 6. U.S. Grower Price (year-2000 inflation-adjusted dollars), 1980-2004



Source: USDA Economic Research Service, Vegetables and Melons Yearbook