Australian olive oil market update and growth of Australian EVOO

31st October 2012
Agenda

1. Global pricing
2. Australian supply and demand
3. Australian olive oil sales channels
4. Category challenge
5. Summary
International prices of olive oil have taken off over the past 3 months, reflected here by Spanish prices.

Spanish Extra Virgin olive oil pricing, EURO/KG

Source: www/poolred.com
Rainfall for the past two seasons is less than 50% of average annual totals

Source: University of Jaen
Plenty of upside in EVOO pricing to achieve 20-year averages!

Source: www.indexmundi.com

Source: International Monetary Fund
Australian domestic consumption of olive oil sitting at around 44 million litres (1.9L per capita)

Averaged Australian consumption of olive oil, all grades ('000 litres)

Sources: Australian Customs, IOC, Modern Olives, BBL
Imports have stabilised around 33 million litres per annum with Spain accounting for 65%.

Source: Australian Customs
Australian olive oil production declined 37% in 2012 due to floods and wet weather conditions.

Source: Modern Olives, AOA
74% of Australian consumption consumed locally, up from 46% in 2009

Sources: Australian Customs, IOC, Modern Olives, BBL

Consumption of Australian olive oil by market (estimate, '000 litres)

- Domestic
- Export

Sources: Australian Customs, IOC, Modern Olives, BBL
USA remains Australia’s #1 export market for olive oil by value followed closely by China

**Australian olive oil exports by value (A$)**

(FY2012)

- USA: 36%
- China: 26%
- Italy: 17%
- New Zealand: 7%
- Japan: 5%
- Spain: 5%
- Other: 4%

Source: Australian Customs 2012
Italy remains a major buyer of bulk Australian olive oil

Source: Australian Customs 2012
The grocery retail channel accounts for approximately 76% of olive oil sales in Australia.

Domestic Olive Oil Sales 2012
Estimated share of sales by channel

- Grocery retail: 72%
- Foodservice: 20%
- Manufacturing: 6%
- Boutique: 2%

Sources: Aztec scantrack, Australian Customs, FoodServeX Pty.Ltd, BBL, pers comms.
Extra virgin share of grocery retail sales grew 5% over the last 7 quarters; refined blend sales down 9%

Share of olive oil $ sales by grade

Source: Aztec Scantrack 2012
Australian share of grocery retail sales up from 21% in Q1 2011 to 33% in Q3 2012

Source: Aztec Scantrack 2012
One of the key drivers of Australian olive oil sales has been the significant growth in shelf space.
Aussie olive oils now account for 35%-40% of olive oil shelf space in an average Coles or Woolworths store

Coles Port Melbourne, yesterday
Based on current growth rates, grocery sales of Australian olive oil set to exceed $100m by 2015

Grocery retail sales of Australian olive oil

Source: Aztec scantrack, BBL

Taste the difference
Foodservice channel has two distinct segments; Australian olives oils performing best in premium segment estimated at 750k litres in 2012.
Manufacturers seeking to leverage reputation of olive oil to drive stagnant categories / brands
Boutique – opportunity for greater differentiation and innovation

Current boutique range

International icons
A few shots of what is happening in boutique channels overseas..... This one is from a grocer in NYC
A gourmet store in NYC
A produce store in Palo Alto, CA
A specialty olive oil and vinegar store in Chicago
Consumers are confused when shopping the category
About Extra Light olive oil:

“So many products have an extra light version these days, probably because of the obesity problem”

Source: GSK 2012
About Pure olive oil: “It is like those single origin teas you can get, it only contains one type of tea leaf unlike English breakfast which is still very good quality and still only tea leaves but it is made up of a variety of different tea leaves”

Source: GSK 2012
Thanks to the new standard, labelling issues are being resolved
About Virgin olive oil:
“ I knew Richard Branson made a cola, I didn’t realise he was into olive oil”

Source: GSK  2012
About Extra Virgin olive oil:

“Maybe to make an oil Extra Virgin they use an extra 20% olives to get the same amount of oil”

Source: GSK 2012
Summary

1. Outlook is favourable with improved pricing and the prospects of higher yields in 2013

2. Demand for Australian olive oil is growing quickly driven by growing awareness, pro-Australian sentiment, QUALITY and share of real estate

3. Keep focused on quality and educating about Australian EVOO - keep the messages simple and relevant

Thank-you!