

The Market for Domestic Olive Oil

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A Greene Idea

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Today's Focus

- Quick history of olive oil in California
- Description of the US Market & Pricing
- Converting the harvest to cash
- A suggested approach for Georgia



Once upon a time....

- 1700s Missionaries
- 1880s Early industry
- 1970s San Francisco Good Food Movement
- 1980s Some money being made
- 1998 SHD
- 2004 Crop Survey 6,500 & 389,000
- 2006 Major SHD plantings begin



SHD vs. Traditional

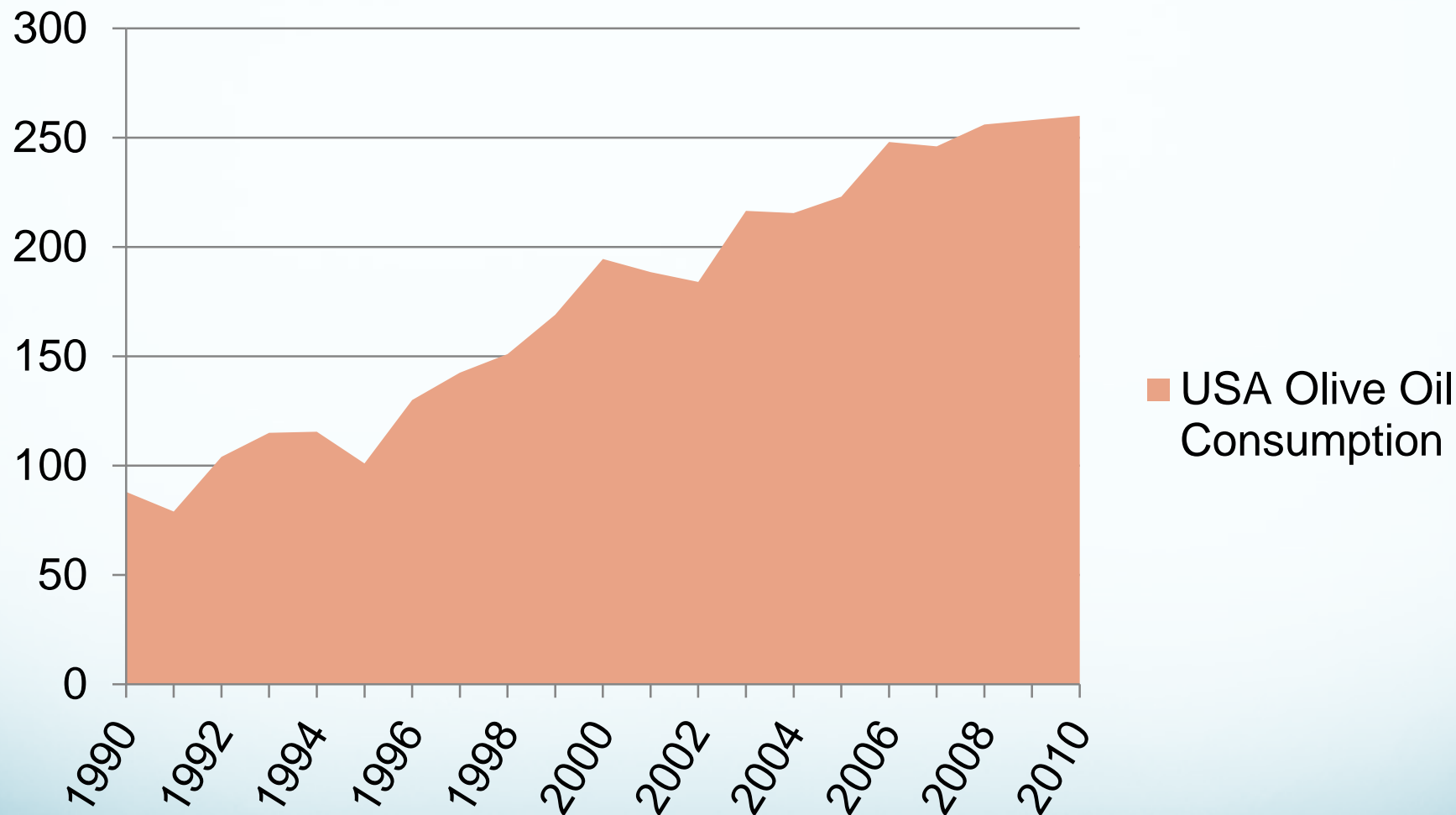
Show me the money..

- Grow olives for oil because it is fun
- THIS is how it should taste, so you must like it too
- It's more romantic this way
- Ignore the data because this is how “they” do it
- Milling olives for oil is an “Art”



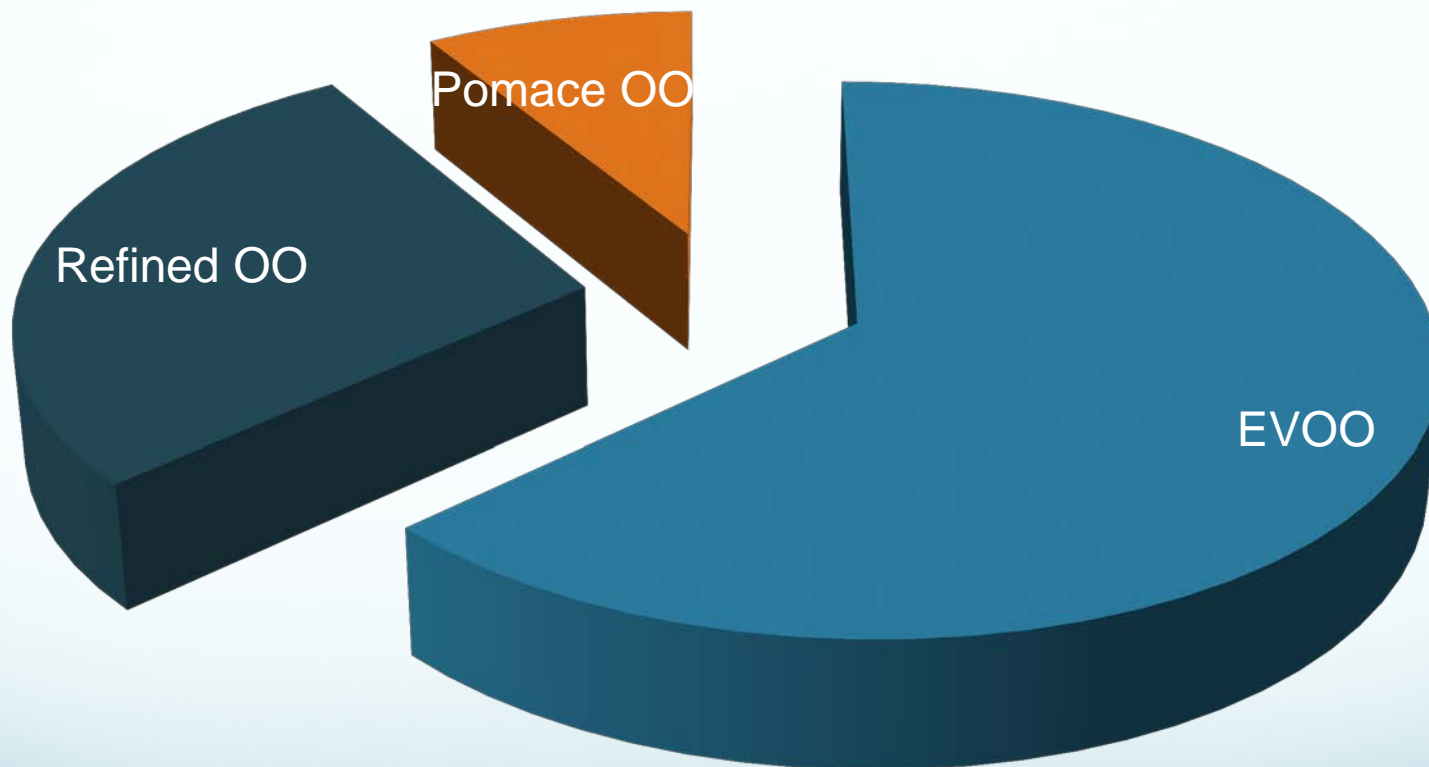
1,000 of tons

USA Olive Oil Consumption





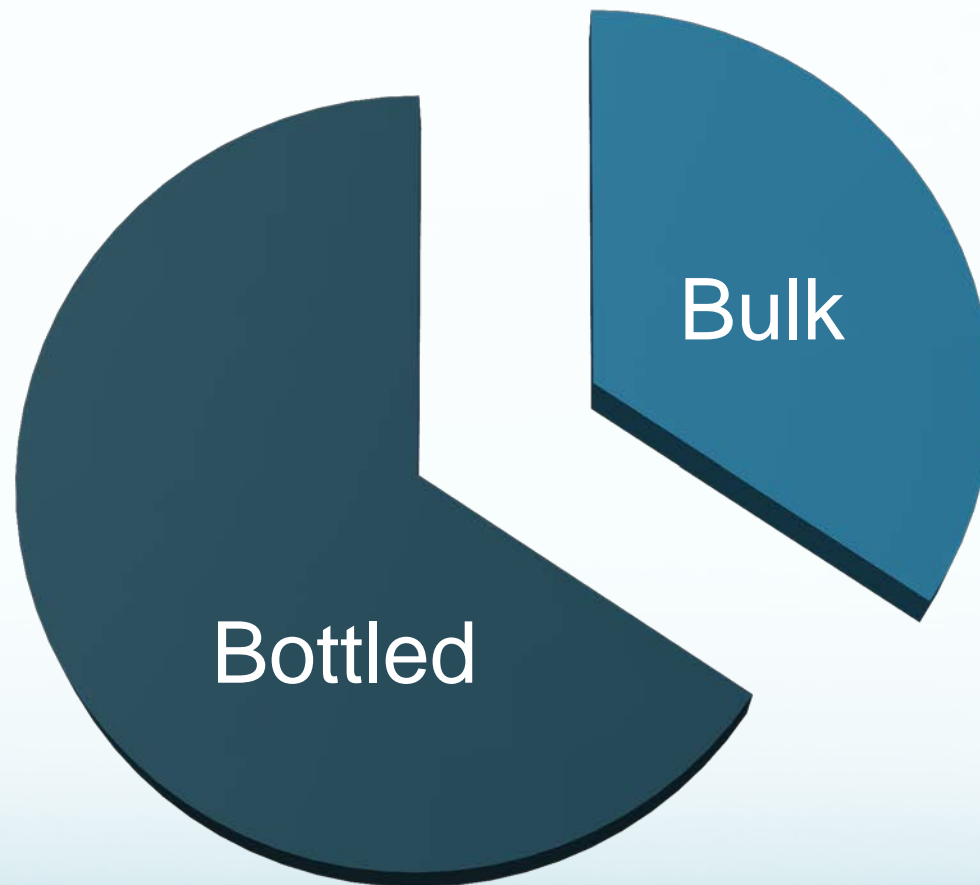
Olive oil imports by quality grade



73,000,000+ Gallons

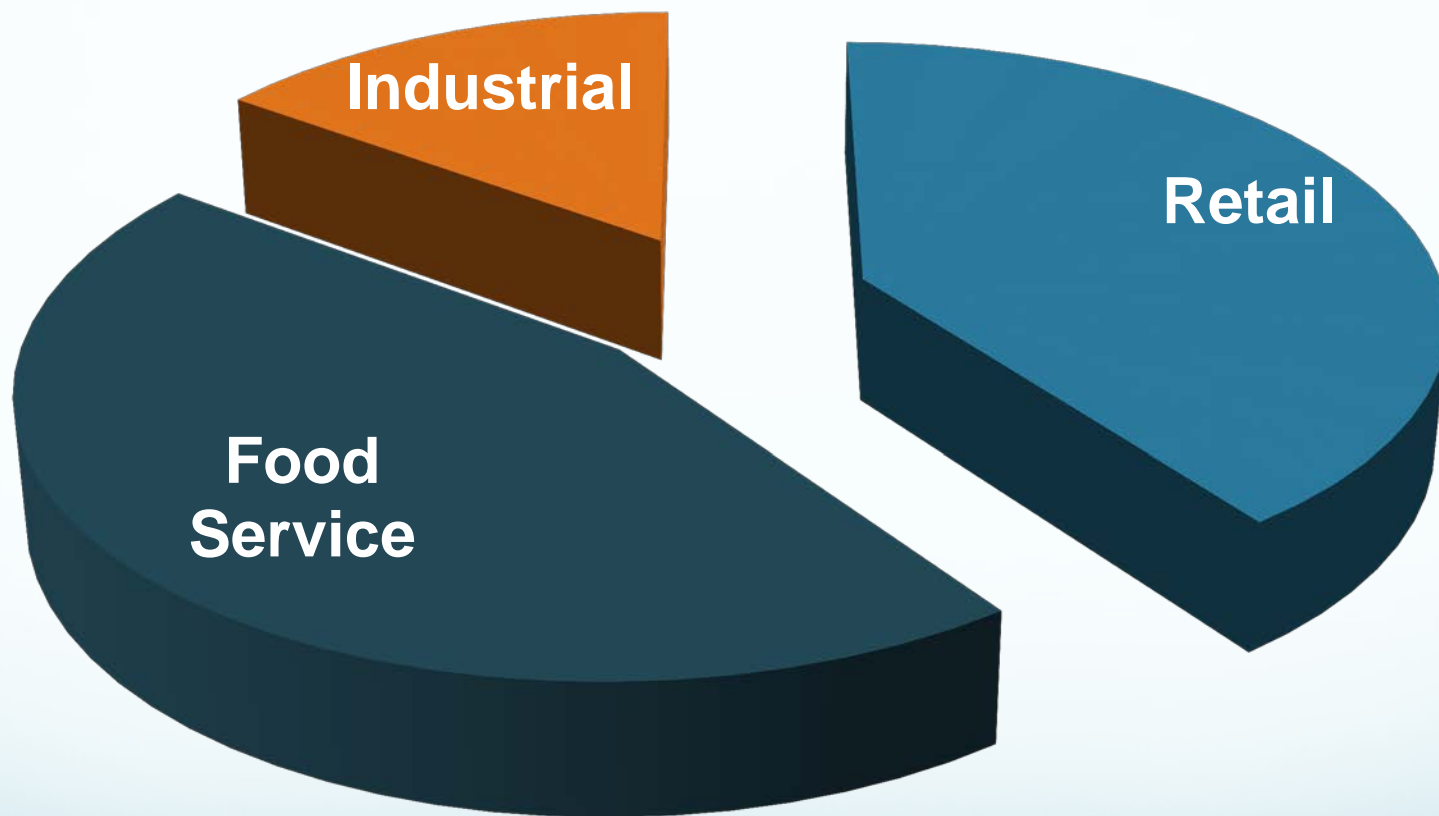


Imports by package



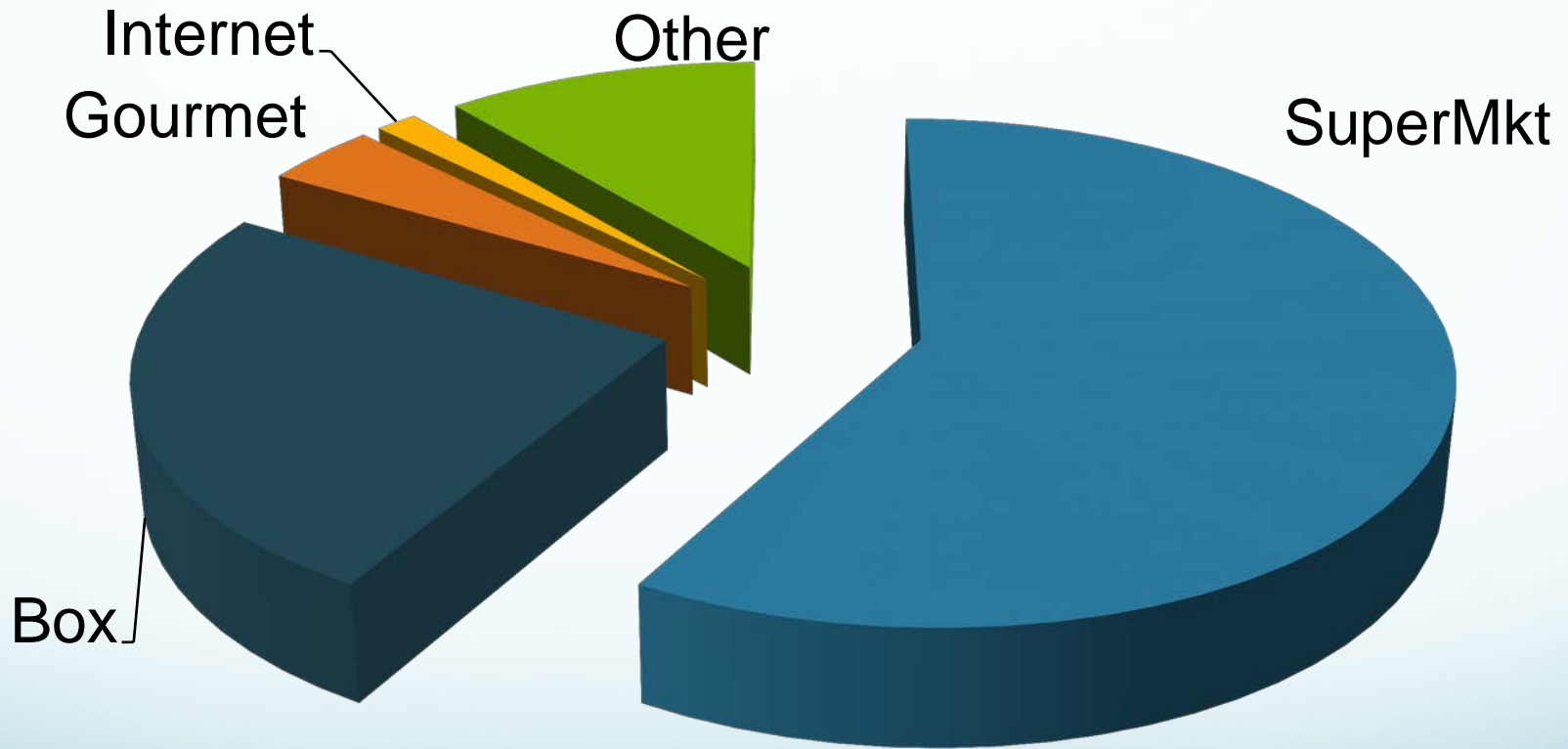


Major channel volume





Key retail distribution channels



Pourable Oils

- A C Nielsen – Vegetable, Corn, Canola, Peanut, Sesame, Soybeans, and Olive

- Size

- Volume 1.08 Billion Gallons
- Dollars 1.76 Billion Dollars



- 2008 Avg price of competing oils:

- Vegetable oil = \$.06 per oz
- Corn oil = \$.065 per oz
- Canola = \$.10 per oz
- Olive Oil = \$.31 per oz



Source NAOOA



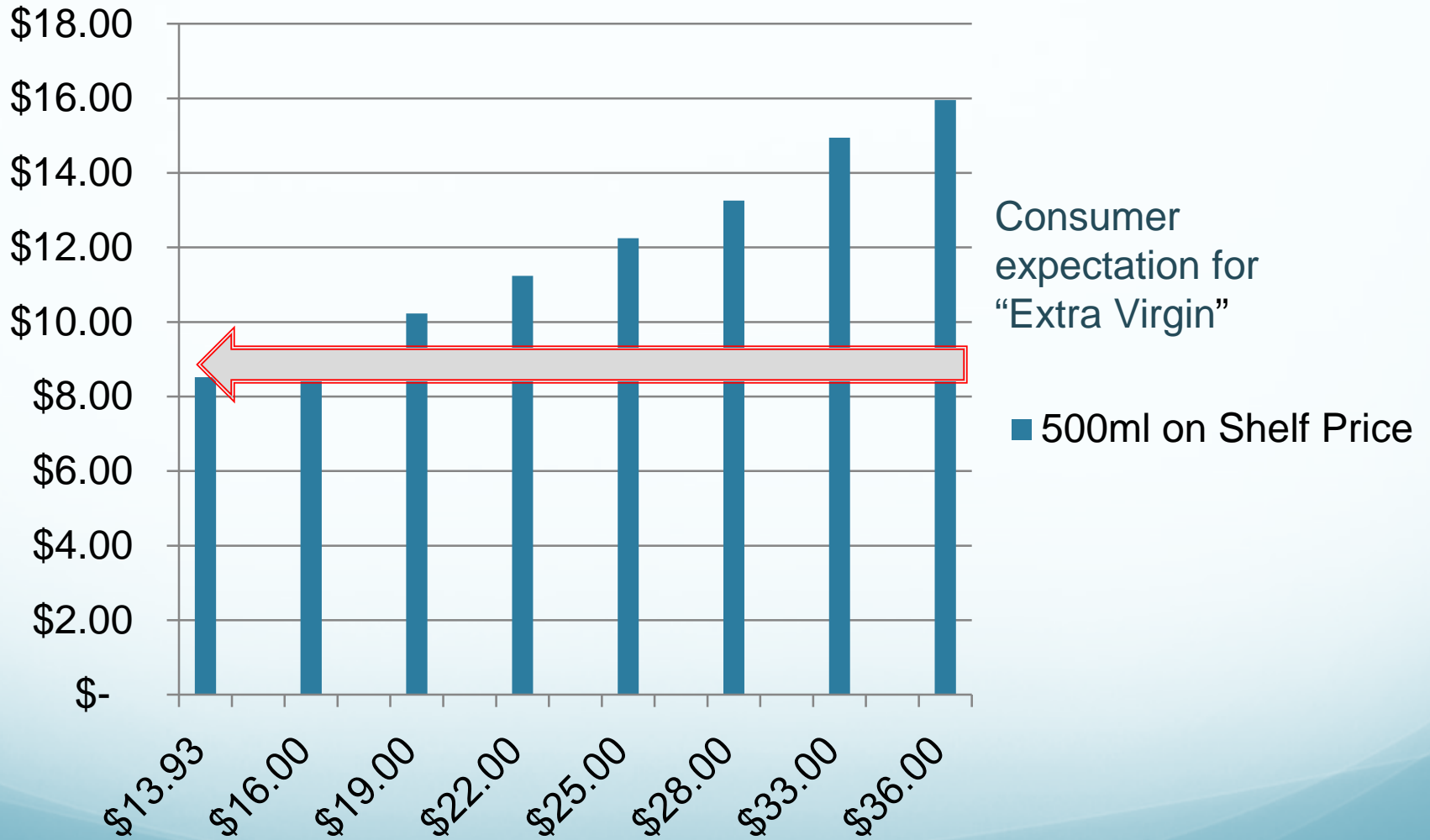
Basic Economics of Retail Competition with Imported EVOO

	Ex Spain	per Kg	\$ per Kg	\$per gal
April 11, 2008	Current	€ 2.55	\$ 4.04	\$ 13.926

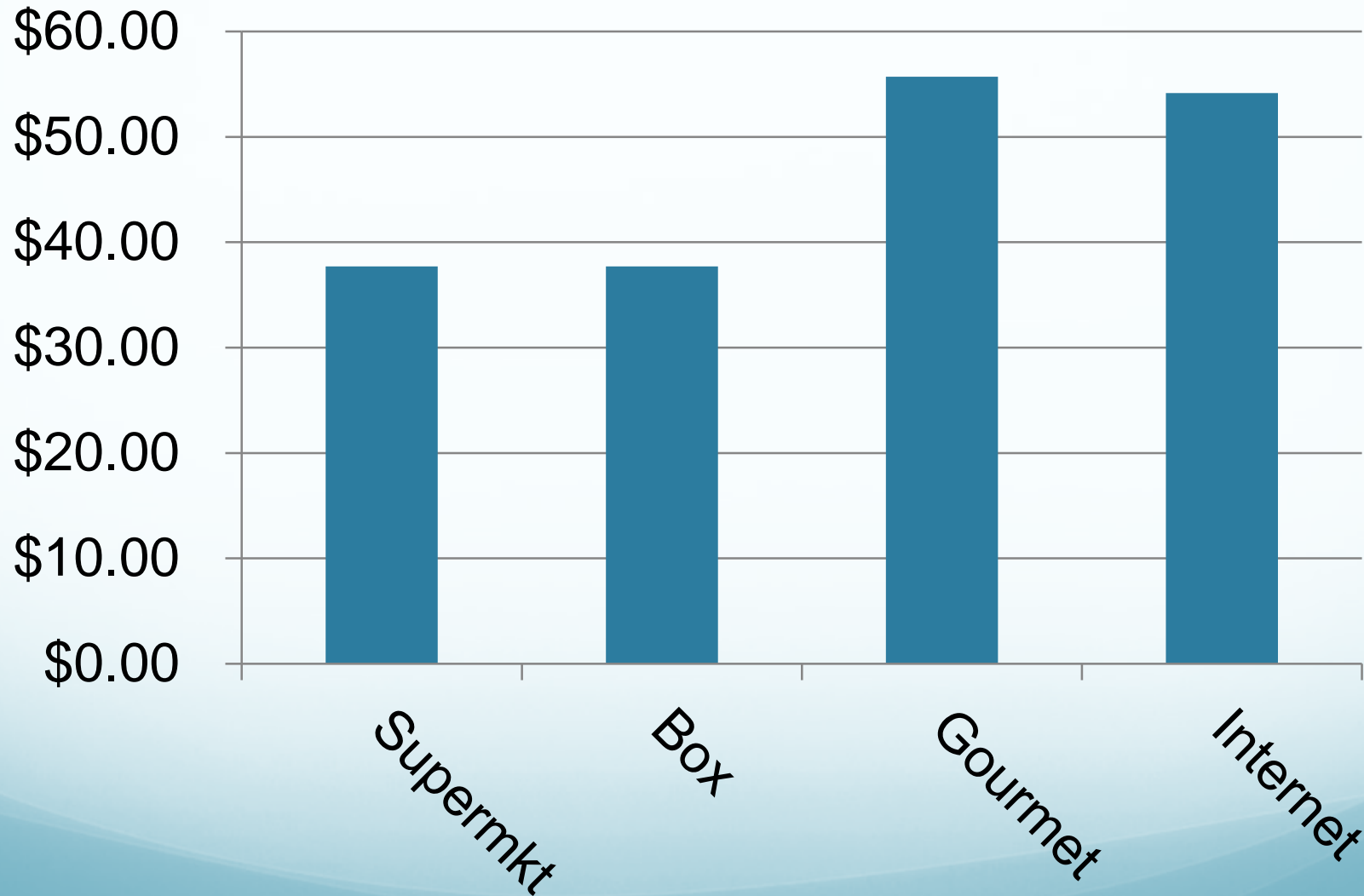
Adds	40%	35%	35%				
500ml on Shelf Price	Distributor Price to Retailer	Price to Distributor	Production cost to Producer	Marketing Money	Packing Materials	Processor Bulk Oil Value	
\$ 8.34	\$ 5.96	\$ 4.31	\$ 3.12	\$ 0.50	\$ 0.78	\$ 13.93	
\$ 9.22	\$ 6.59	\$ 4.78	\$ 3.47	\$ 0.50	\$ 0.78	\$ 16.55	
\$ 9.71	\$ 6.94	\$ 5.04	\$ 3.66	\$ 0.50	\$ 0.78	\$ 18.00	
\$ 10.39	\$ 7.42	\$ 5.39	\$ 3.92	\$ 0.50	\$ 0.78	\$ 20.00	
\$ 11.06	\$ 7.90	\$ 5.75	\$ 4.19	\$ 0.50	\$ 0.78	\$ 22.00	



500ml on Shelf Price



Average price per gallon by channel

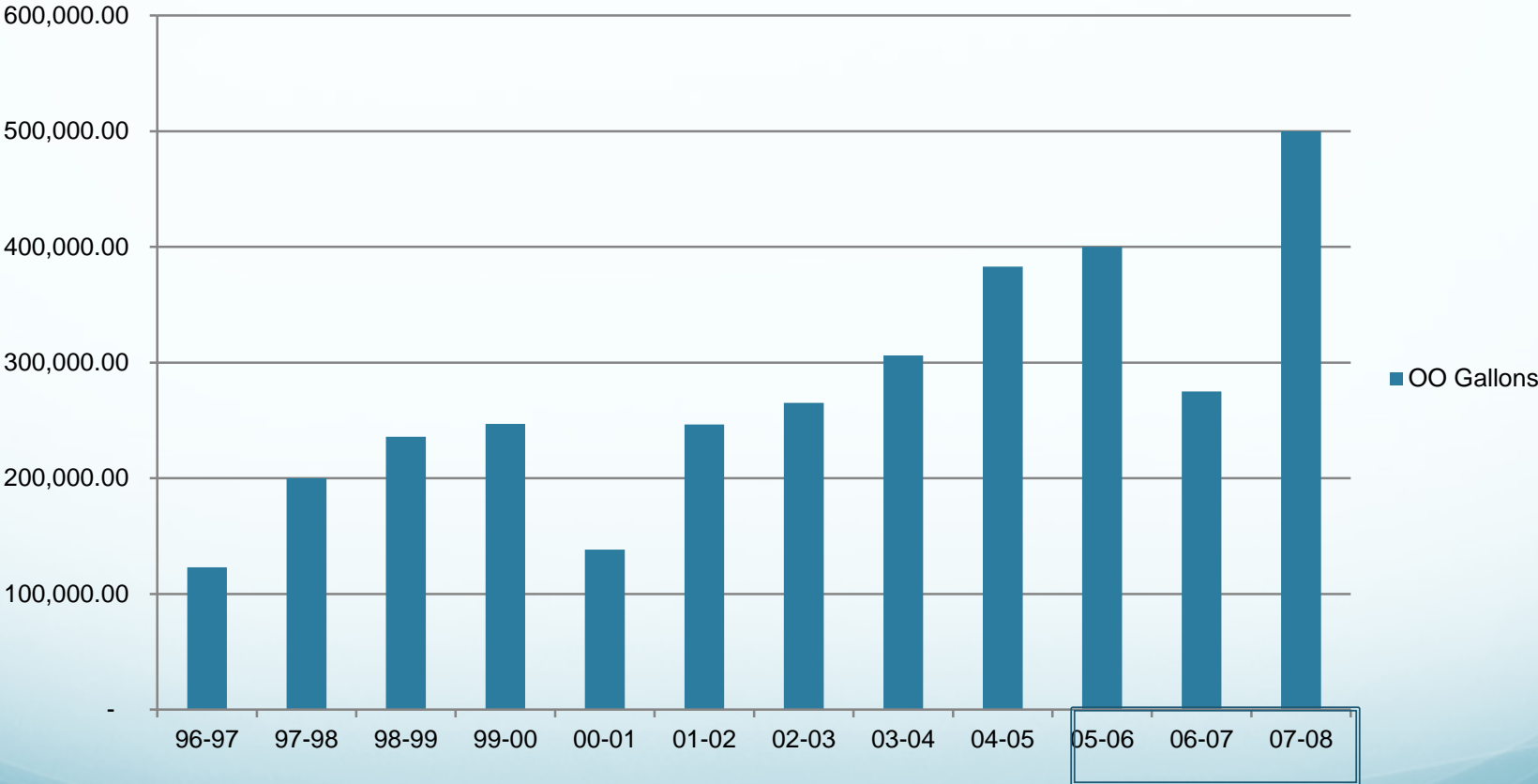


Average price per liter by channel



California OO Production

OO Gallons

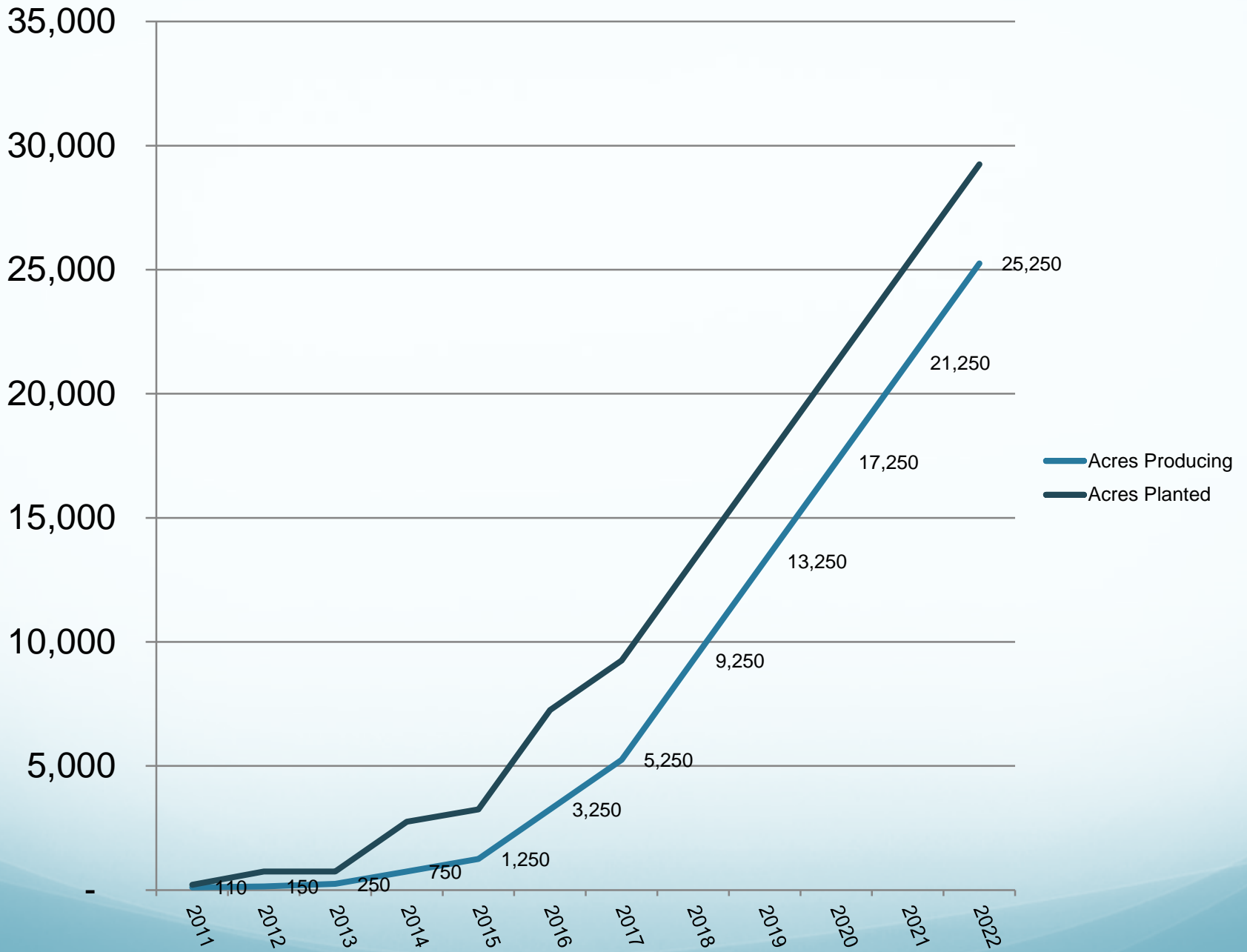


90%
EVOO?

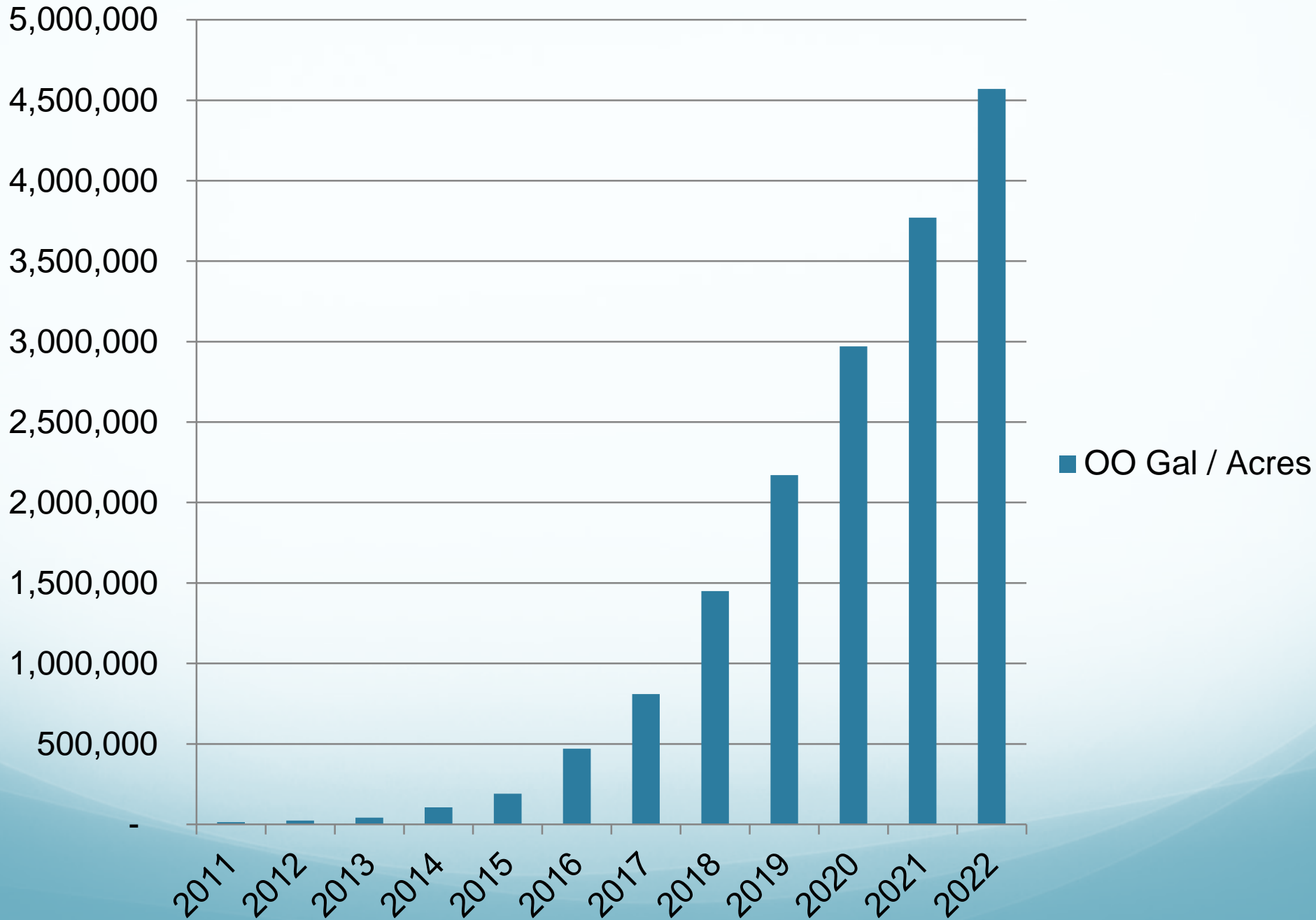


Georgia, how big, how fast?

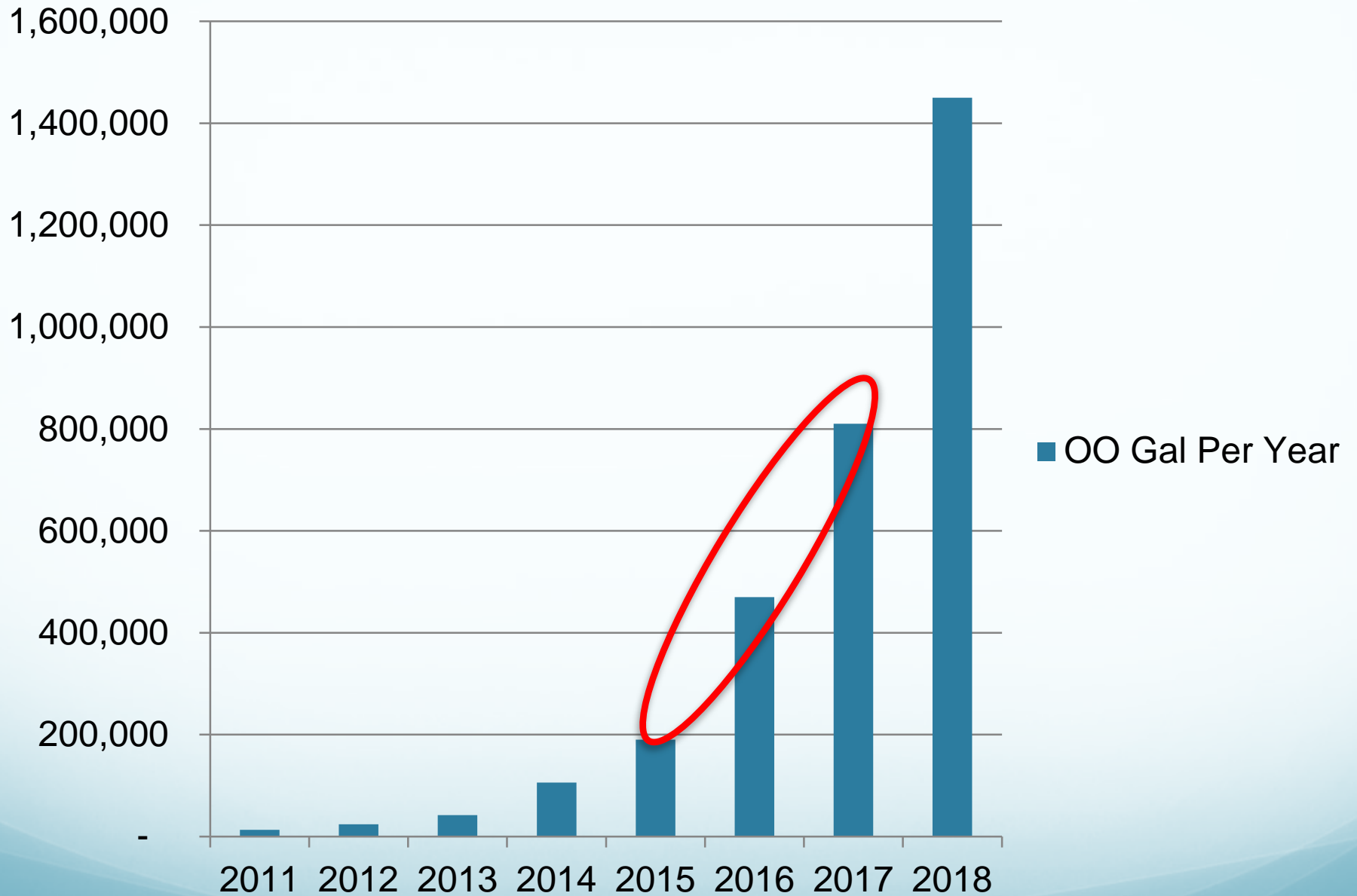
<u>Year</u>	<u>Acres</u>
2011	100
2012	500
2013	500
2014	2,000
2015	2,000
2016	4,000
2017	4,000
2018	4,000
2019	4,000
2020	4,000
2021	4,000
2022	4,000



OO Gal Per Year



OO Gal Per Year



Future Impacts on Pricing

- 2014 – price/production EU subsidy to Spanish and Italian olive industry. Loss of \$1 per gallon to \$1/Lt to the grower/miller
- Very weak Spanish and Italian economies
- Failure to maintain existing orchards
- Water shortages
- China and India
- Increasing enforcement of quality standards and food safety requirements

Road to market

- Sell fruit to a miller
- Sell oil to miller / packer
- Process to oil, sell and market
 - Contract with a miller
 - Build a mill

Sell the olives to a miller

- Payment per ton – market price
- Fixed agreement to buy or...

Sell oil to a miller

- Multi year agreements are common
- Payment determined by oil yield and quality
- At least 3 payment programs:
 1. Fixed price per gallon +
 2. Guaranteed minimum price + % of average sell price
 3. Charge against sales price for milling, processing, and storage plus a marketing fee.
- Payment spread over crop year

Market & sell the oil yourself

1. Build a mill or contract with a custom miller
2. Arrange for packaging and storage
3. Develop marketing and sales strategy for your oil
4. Build a relationship with channel participants and customers
5. Deliver or ship oil to customer
6. Invoice or charge customer
7. Collect on invoices
8. Respond to customer needs or complaints

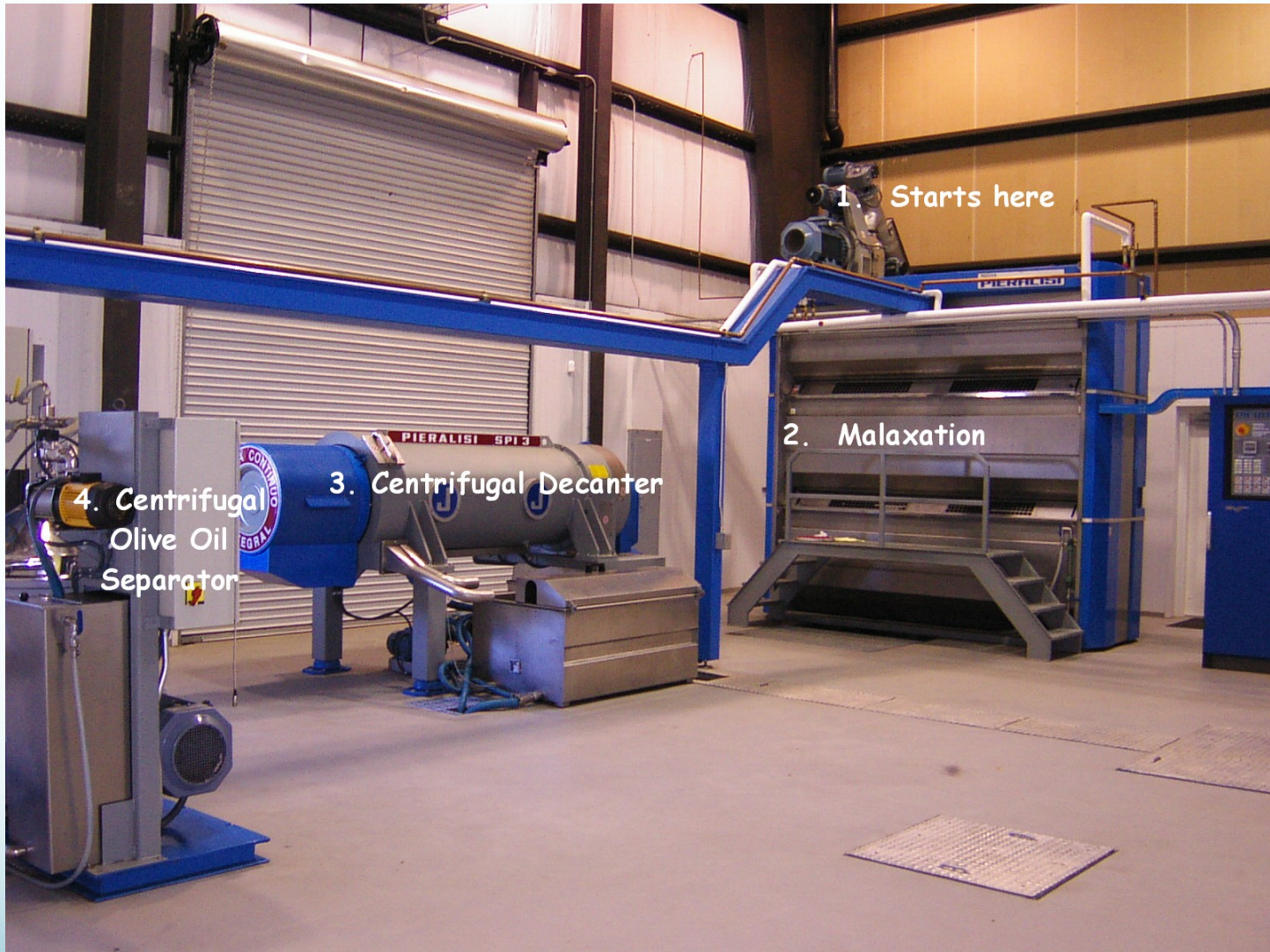
20 tons of fruit

- ▶ 760 gallons
- ▶ 479 cases
- ▶ 5,748 bottles

38 gallons per ton
Case of 12, 500ml bottles

60 tons of fruit

- ▶ 2,280 gallons
- ▶ 1,438 cases
- ▶ 17,256 bottles







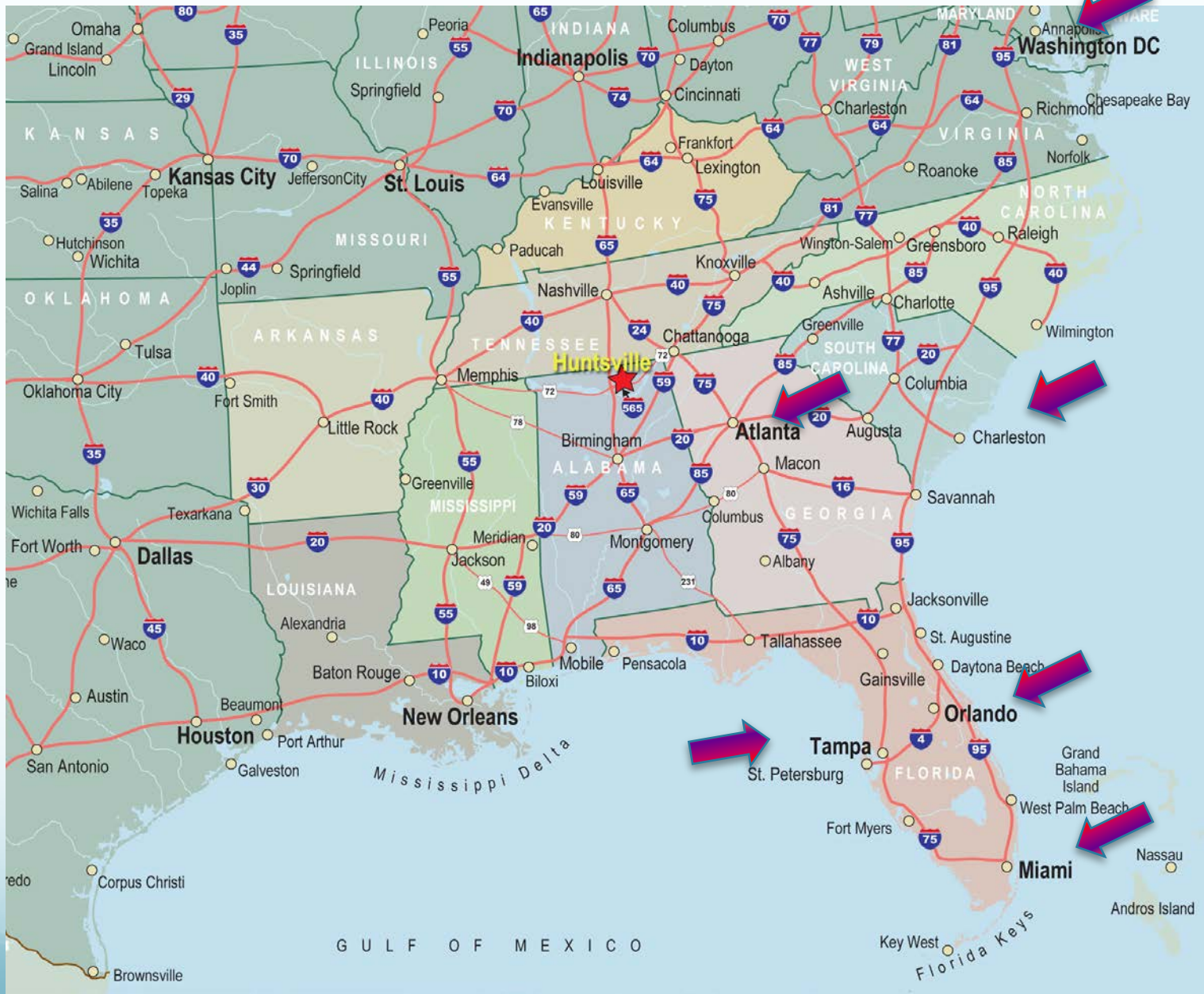


Milling considerations

- Is the mill's capacity a fit for your orchard
- What are the quality standards for the fruit
- How is the milling schedule determined
- What are the cleaning procedures between batches or production shifts
- What are the storage options and how well is the finished oil protected
- Payment

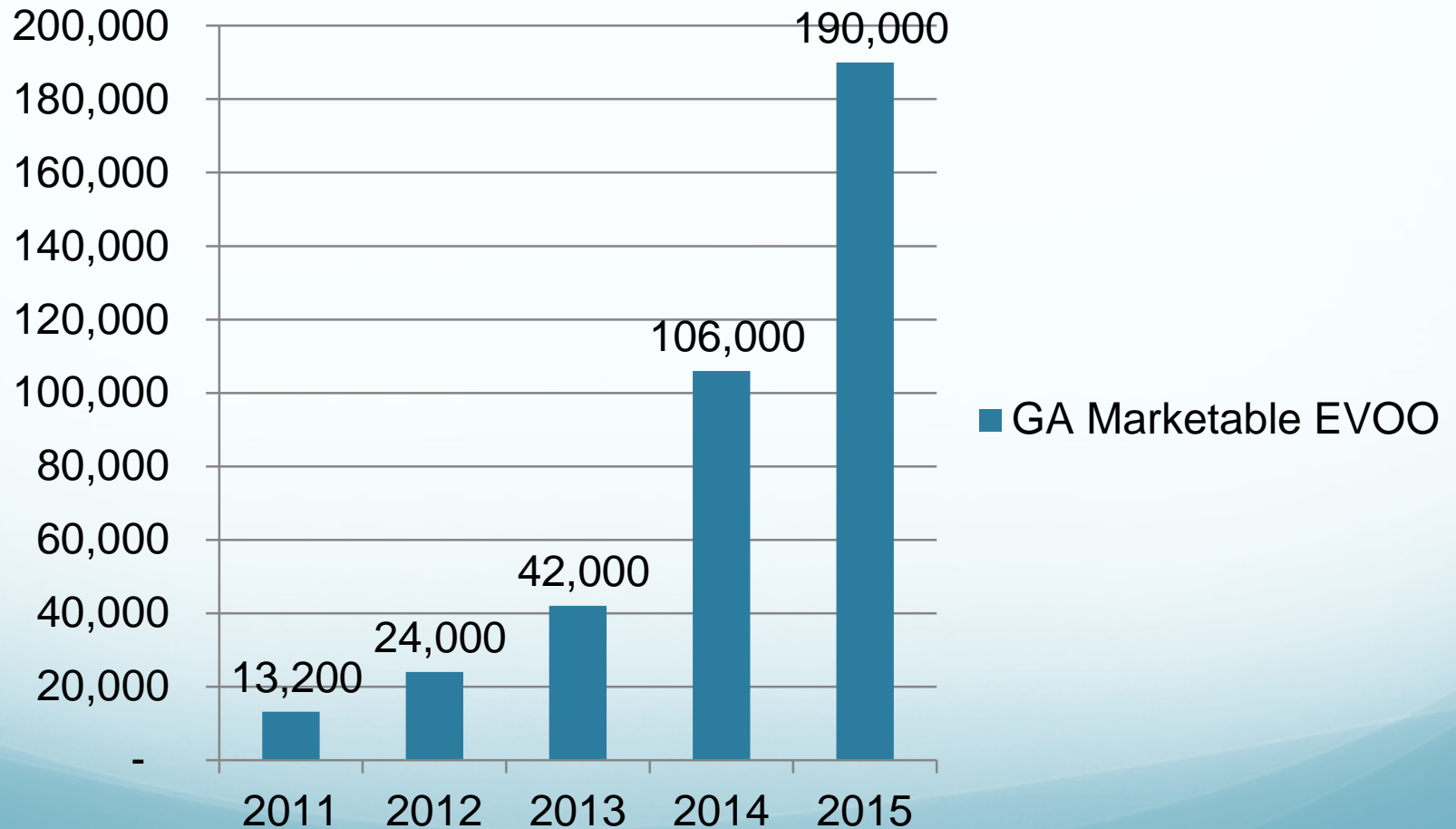
Georgia EVOO Market Strengths

- **Local to established upper end food markets;**
Atlanta, Albany, Charlotte, Raleigh, Savannah,
Charleston, Orlando, Tampa
- **Local to East Coast Markets:** New York, Washington
DC, Boston, Philadelphia, etc.
- **Local Grown, Product of the USA, Healthy, Fresh,
Great Taste.**
- **Lower freight cost to East Coast vs everyone.**
- **Maybe first to market with fresh oil?**



Planning Volume

GA Marketable EVOO



Early Targets

- High end restaurants in media visible markets
- Golf and vacation resorts
- Cruise lines
- Specialty Food markets with less than 5 stores
- Metropolitan Farmers Markets



Chef Michael Tuohy
Murphy's restaurant
Atlanta, GA

SAMPLE DINNER MENU
April 6, 2011

Northern California Artisan Olive Oil Tasting

Hillstone A/K Blend (Yolo) / Hillstone Split Rock (Yolo) / Frate Sole (Woodland) 6

MARINATED • CURED • CRISPY • CRUDO

- Bowl of Marinated Olives grilled trigo fuerte flatbread / marinated north valley chèvre 8
- Pacific Ahi Tuna & Steelhead Tartare mandarin / spicy soy-ginger sauce / cilantro 13
- Charcuterie Plate la quercia prosciutto / rabbit rillettes / lardo / pancetta tesa / house pickles 15
- Fritto Misto monterey bay calamari / white fish / onions / lemon / caper aioli 13

Questions

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