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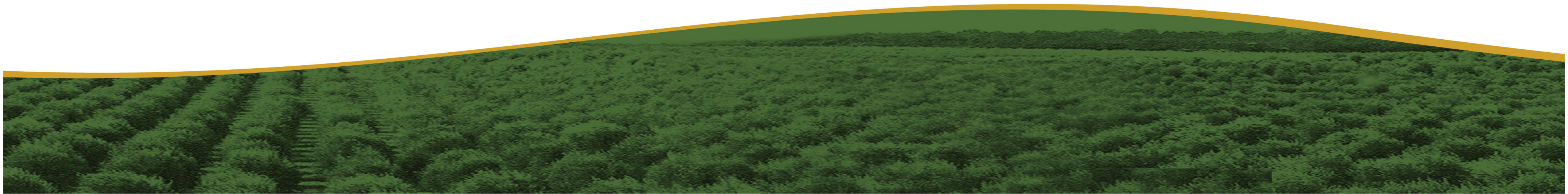
'Australia's premier olive company'

Edible Oil Markets and Olive Oil and the effect of adulteration and mislabeling on olive oil prices

October 2011



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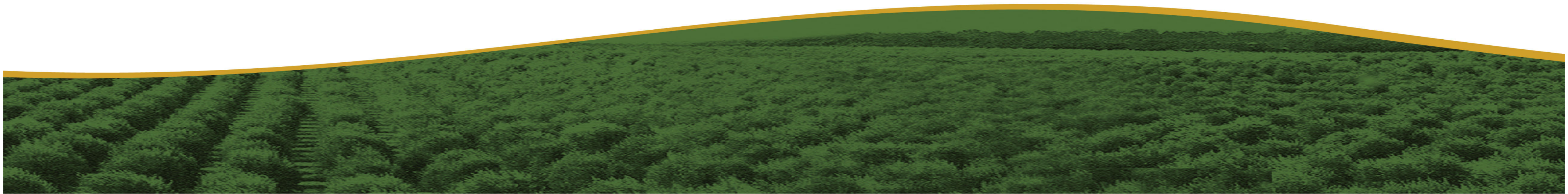
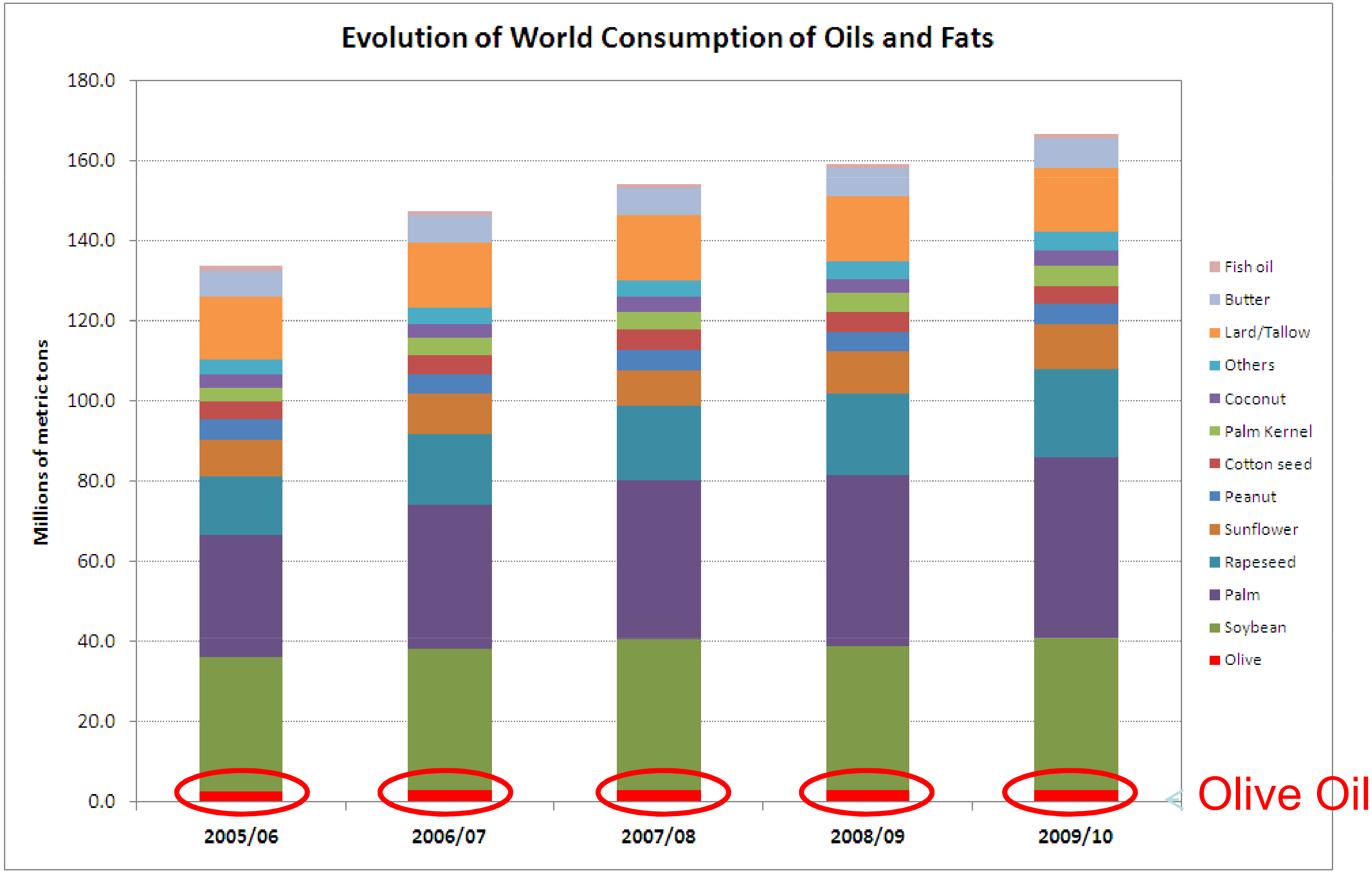
Overview of presentation

1. Olive oil in the global oil and fats trade
2. Why olive oil is more expensive than other major fats and oils
3. Why olive oil prices have remained so low the last 2-3 years
4. The impact of mislabelling and adulteration



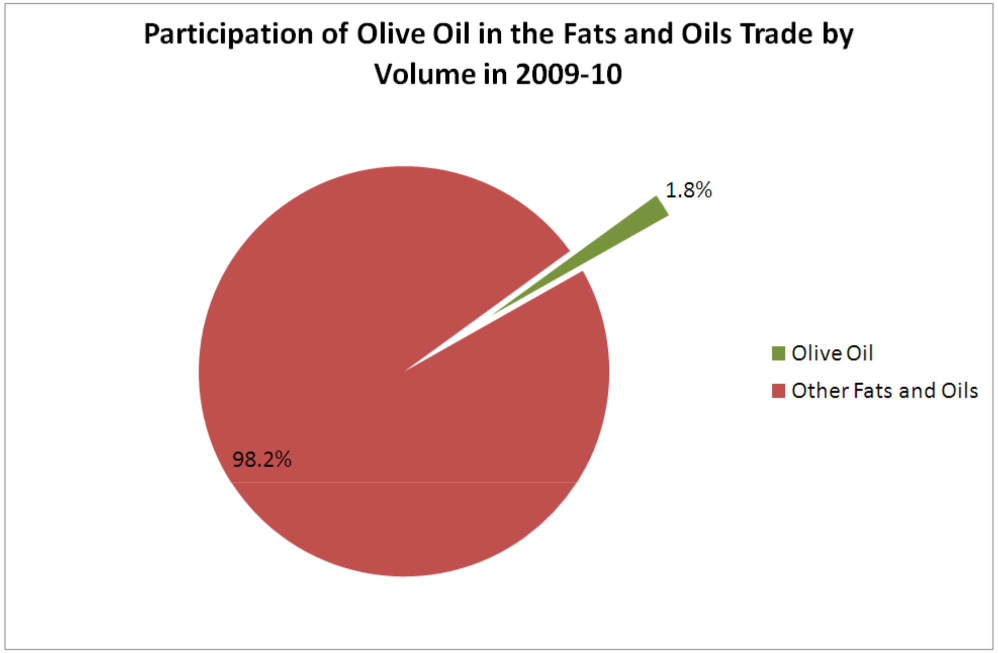
Global oils and fats trade



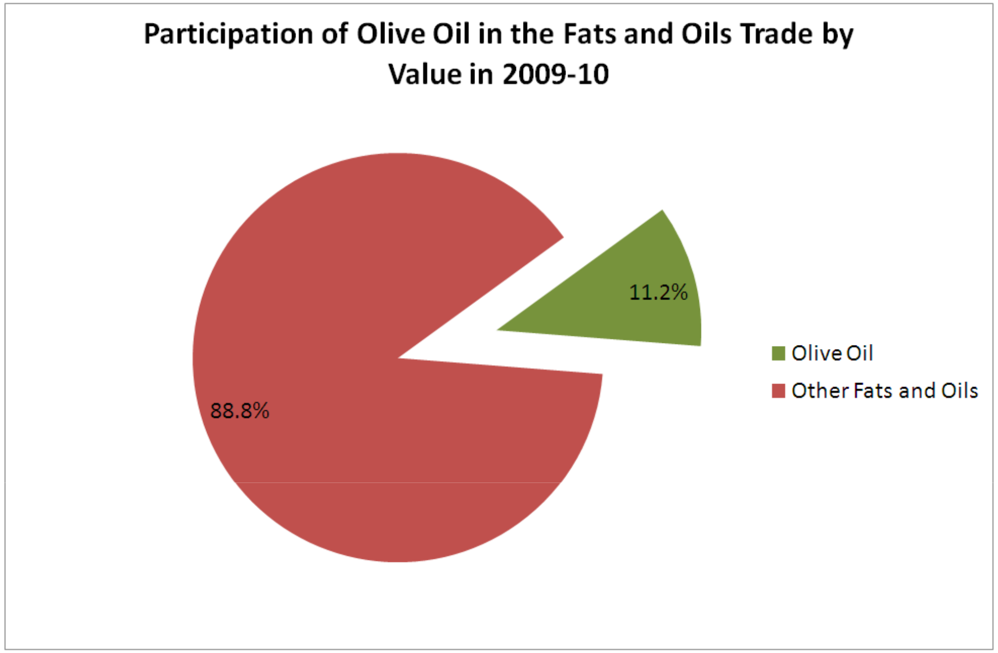
Sources: Oilseeds world market and trade. USDA. August 2010

Olive oil in the oils and fats trade

Olive oil 1.8% by volume



Olive oil 11.2% by value



Sources: Oilseeds world market and trade. USDA. August 2010 & Export Market Research. Caiani & Co. June 2006

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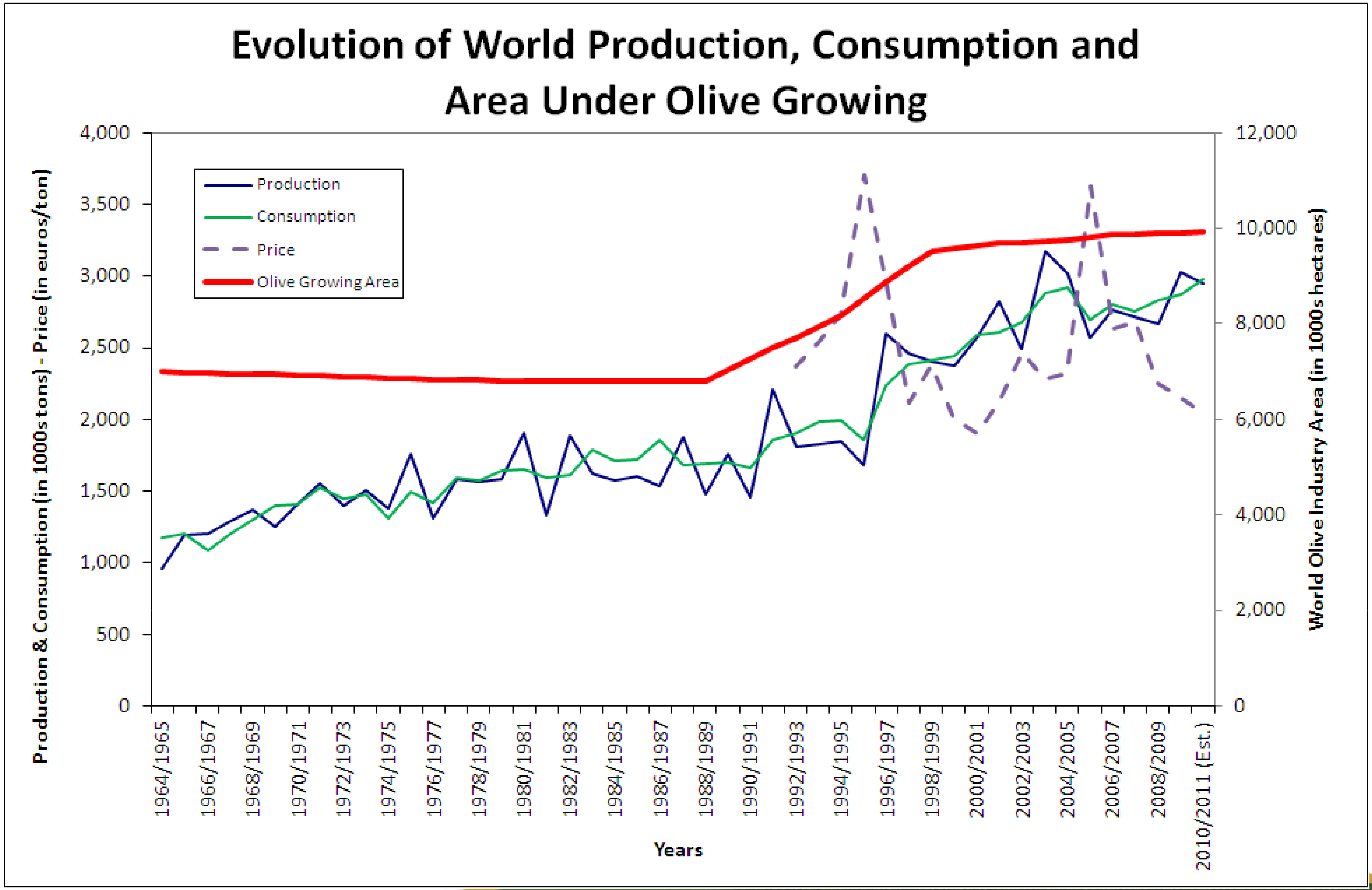
Olive oil production and consumption – history and trends



Sources: International Olive Council, USDA, PoolRed, Olive Growing, EU Report on Olives

Why is olive oil more expensive than other major fats and oils?

1. Health attributes, particularly Extra Virgin (EVOO)

2. High production costs (limited mechanisation & low yields)

3. Limited availability (limited olive growing areas in the world)

4. Romantic perception of Mediterranean lifestyle

5. Flavour (EVOO)

Limited mechanization - 81% of planted area is traditionally managed

Low average world yields

Great variability in production

Country	Yields (% of world)	Yields (litres/ha)
Spain	38.6%	482.6
Italy	22.8%	483.0
Greece	13.6%	400.8
Turkey	4.3%	218.2
Tunisia	6.2%	119.0
BBL (Average of all stages)	0.3%	1,785.9
Average		**318.2**

Source: IOC/FAO/BBL

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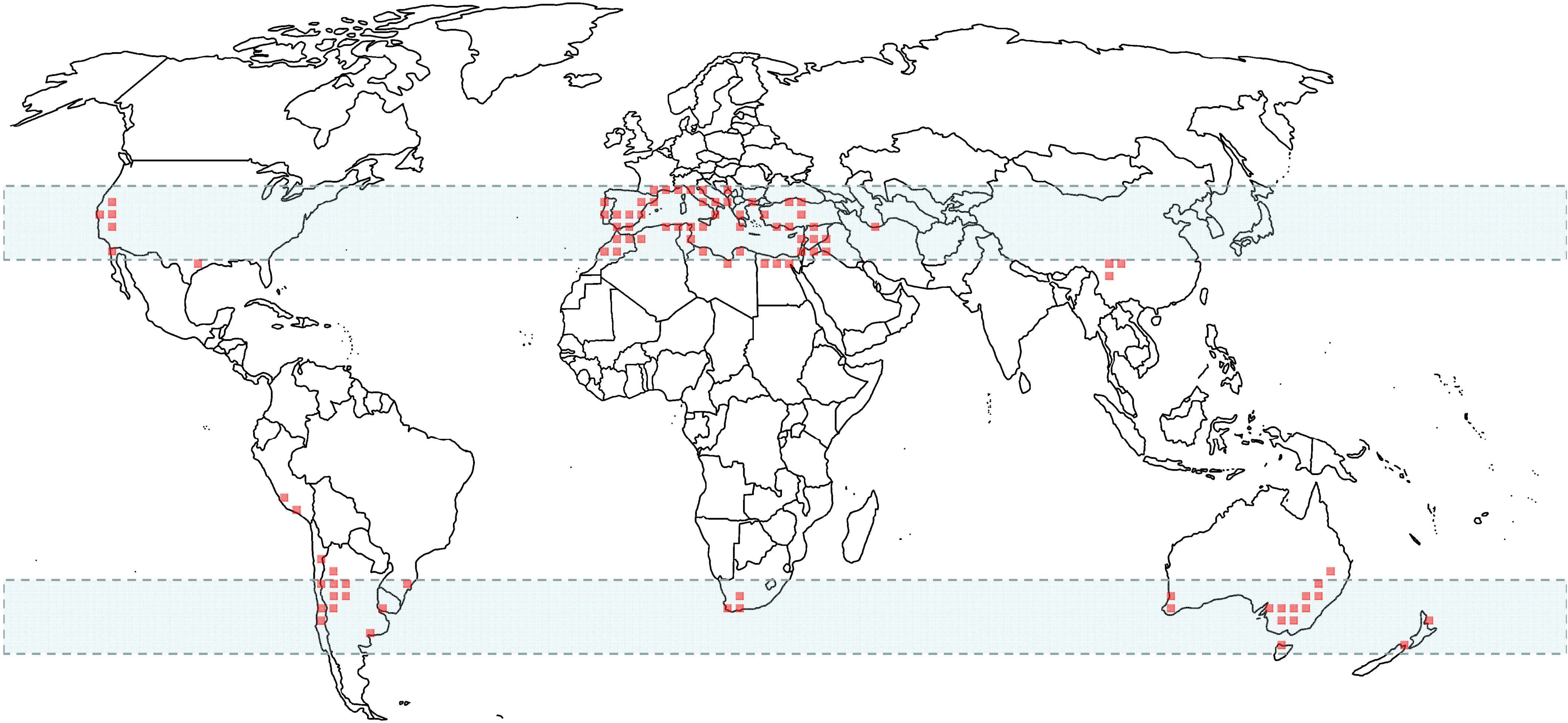
Limited availability of olive growing areas

Currently 10m of 11.5-12.0m ha planted



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Why EVOO prices have remained so low the last 2-3 years

Key factors include:

1. Heavily subsidised industry
2. High concentration of demand versus fragmented supply base
3. Lack of financial resources amongst suppliers (and buyers)
4. Mislabelling and adulteration – leveraging a lack of regulation and a lack of consumer awareness of the difference between EVOO and other grades

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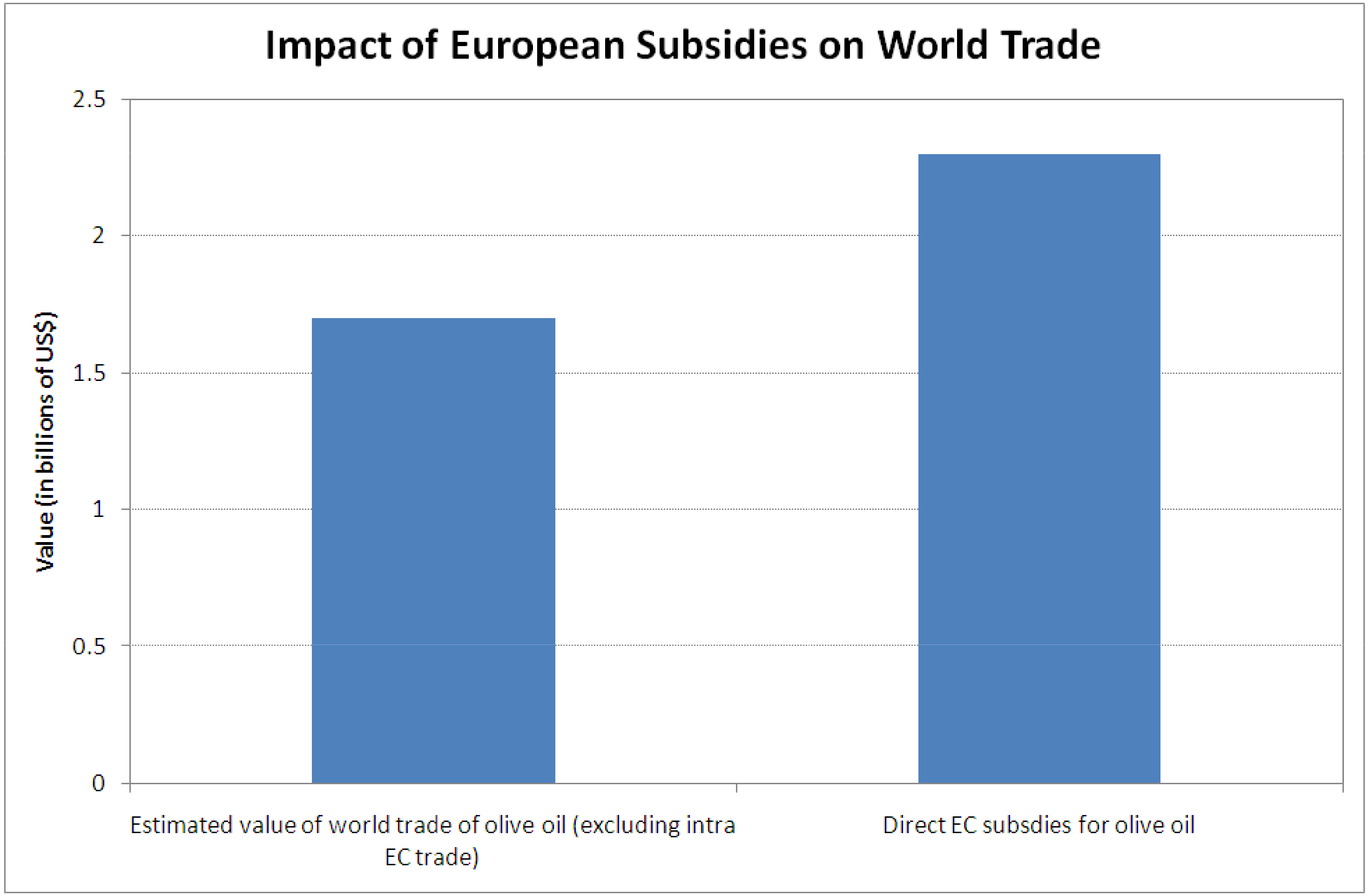
The impact of olive oil subsidies



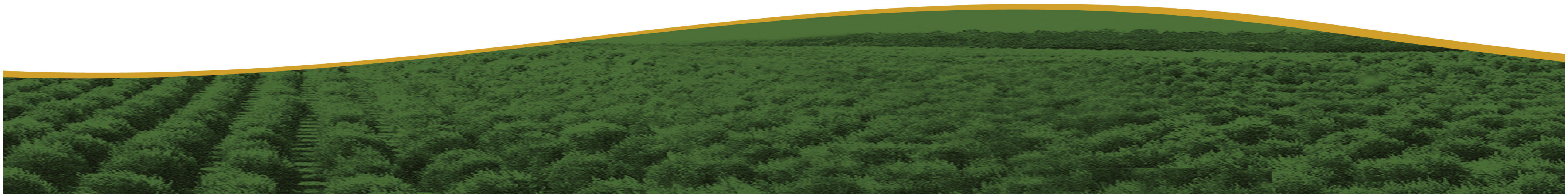
Concentration of demand and fragmented supply

Demand

- 70 to 75% of the bottled olive oil sold outside the EU is sold by 6 companies
  - SOS Cuétara (Bertolli, Carbonell, Carapelli, Lupi)
  - Sovena Group (East Coast Olive Oil, Agribética, ALCO)
  - Ybarra Group (Ybarra, MiGaSa, Heinz)
  - Aceites del Sur (CooSur, La Española)
  - Hojiblanca (+Cargill)
  - Borges

Supply

- 2.5m growers in Europe with an average of 2.1 ha per grower
- Almost 11,000 processing plants in Europe producing an average of just 192 tonnes of oil/processing plant (250 growers per plant)
- No negotiating power



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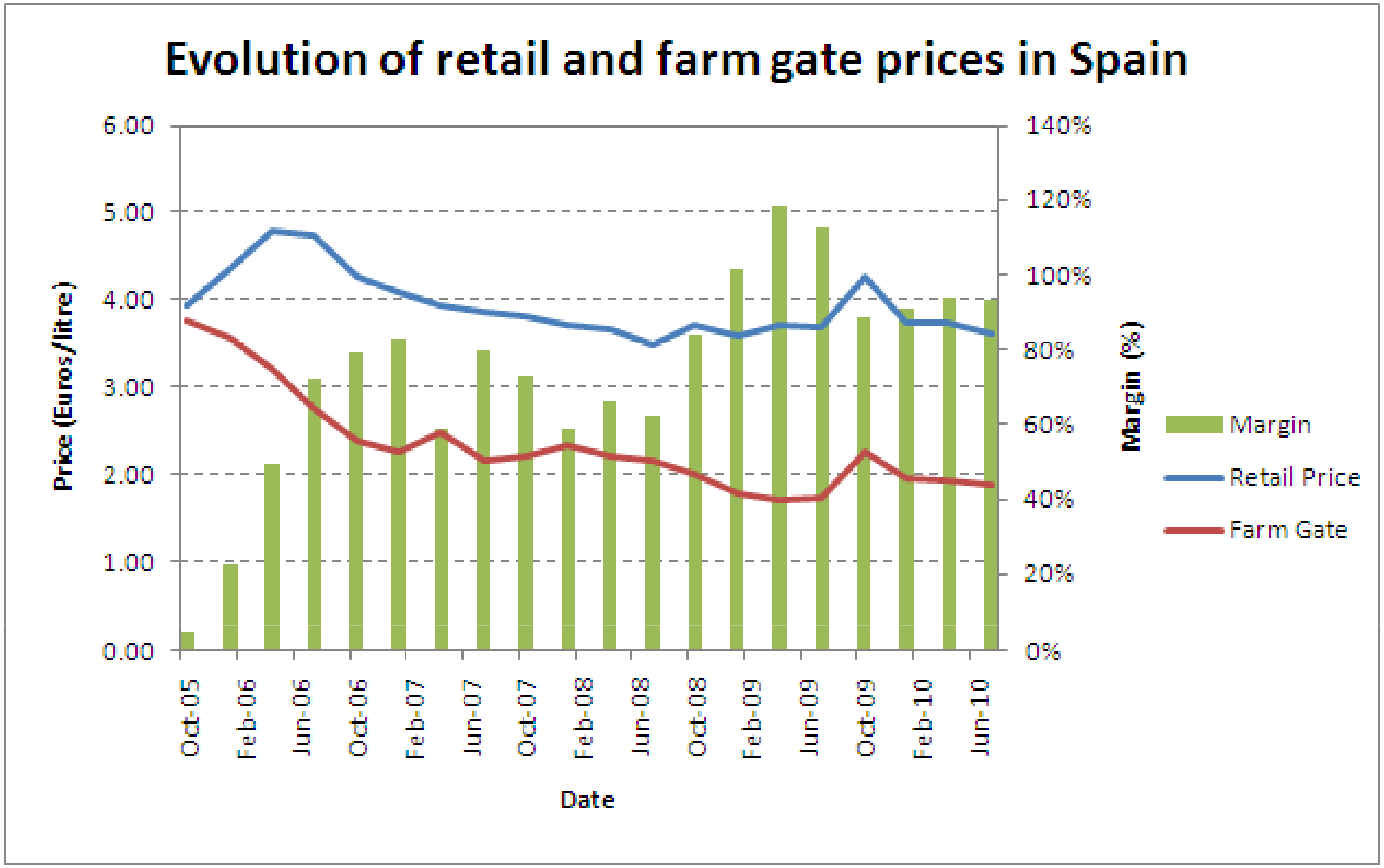
Short-term supply/demand factors reflects lack of negotiating power



Access to Finance (2009 example)

Source: www.poolred.com & www.elolivar.blogspot.com

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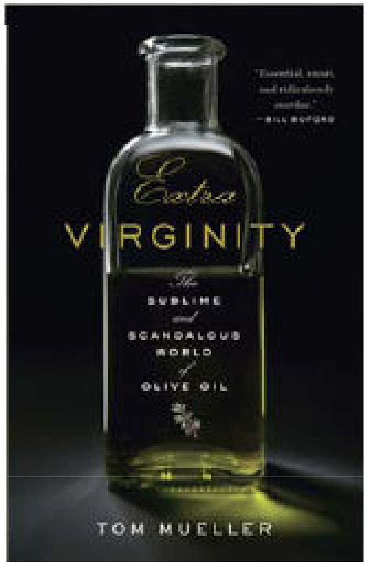
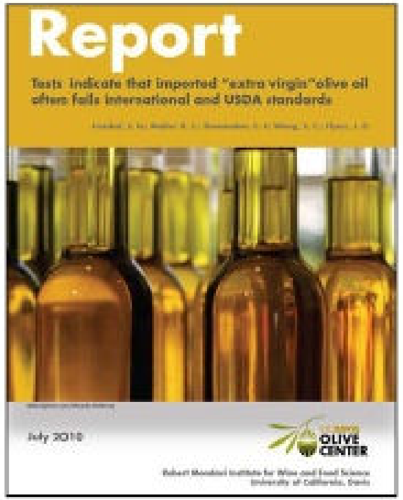
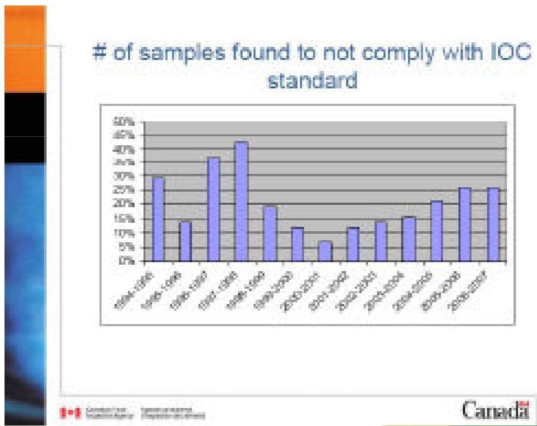
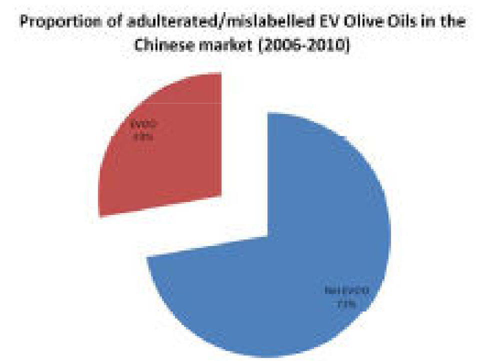
Mislabelling and adulteration









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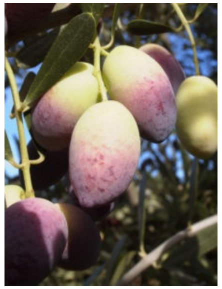
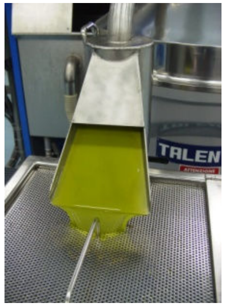
Are all olive oils the same?





Virgin Oils

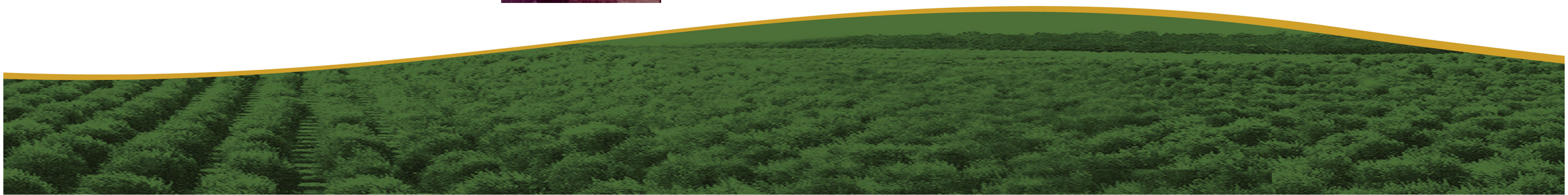
- Ultra Premium and Premium EVOO
- Extra Virgin (≤0.8% acidity & no defects).
- Virgin (≤2.0% acidity & slight defects).
- Lampante oil (>2.0% & not suitable for direct human consumption

Refined Oils

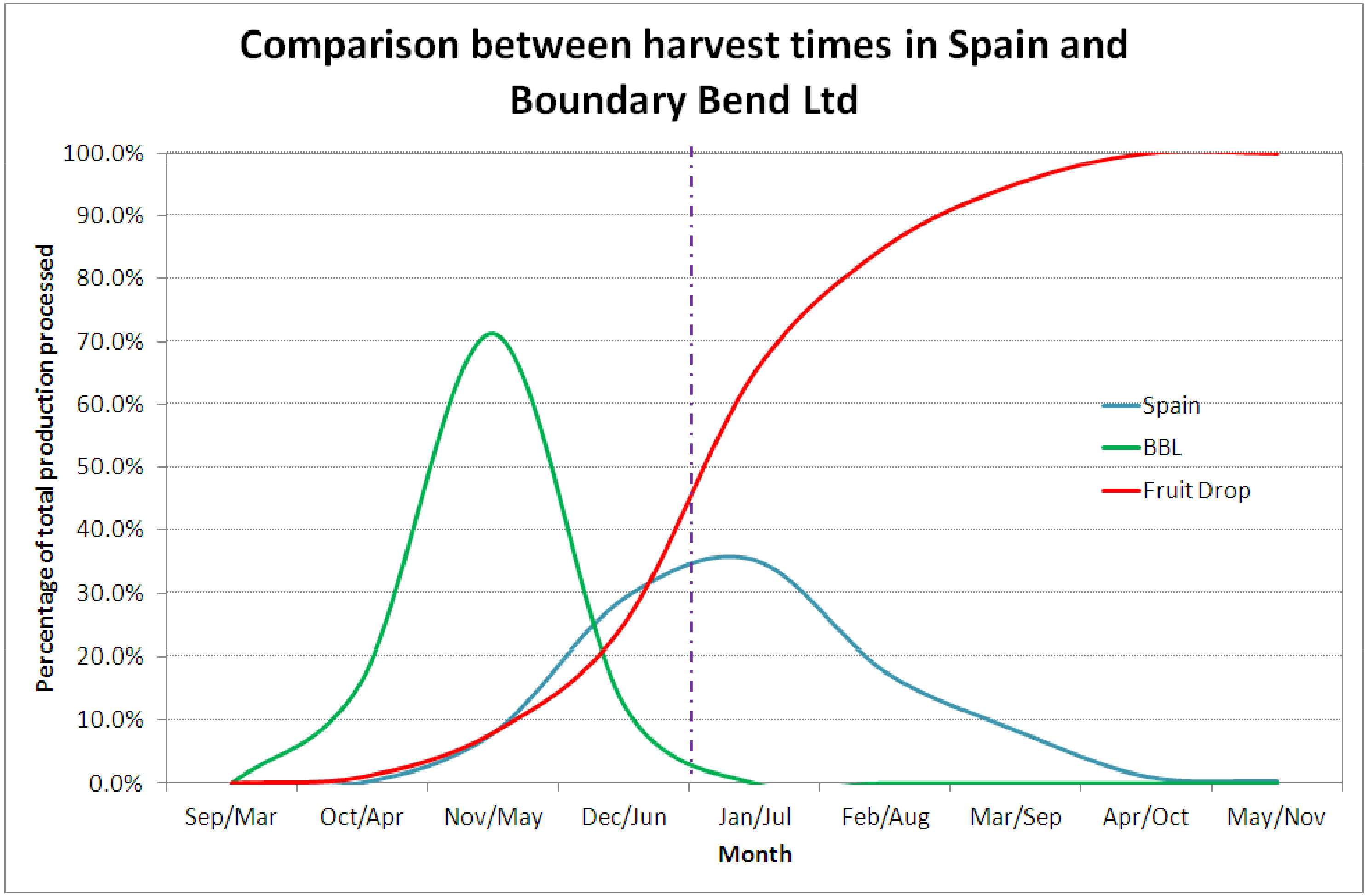
EVOO or VOO

Olive Oil
Pure Olive Oil
Extra Light Olive Oil

Pomace Oils

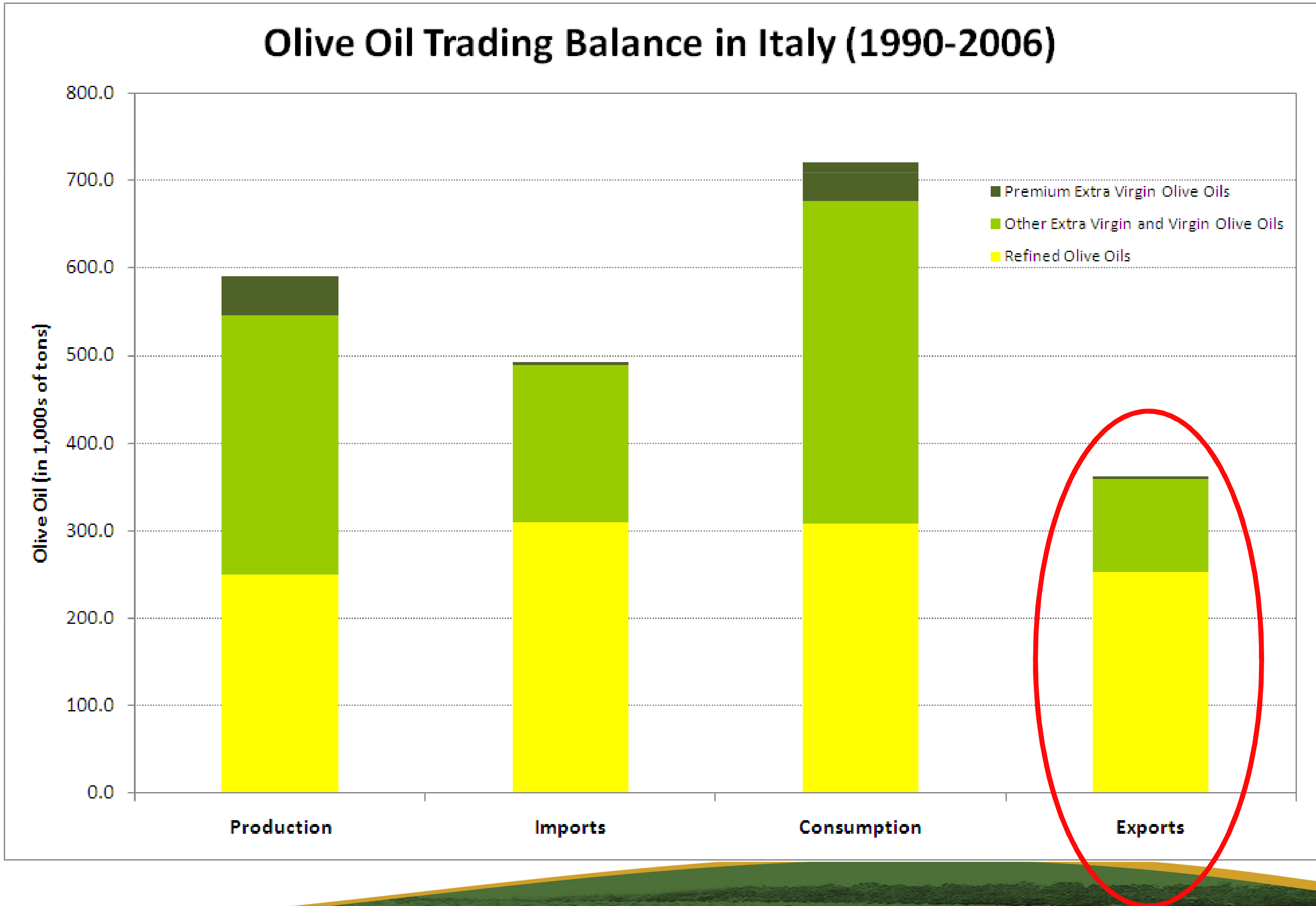


Why is there different qualities of olive oil?



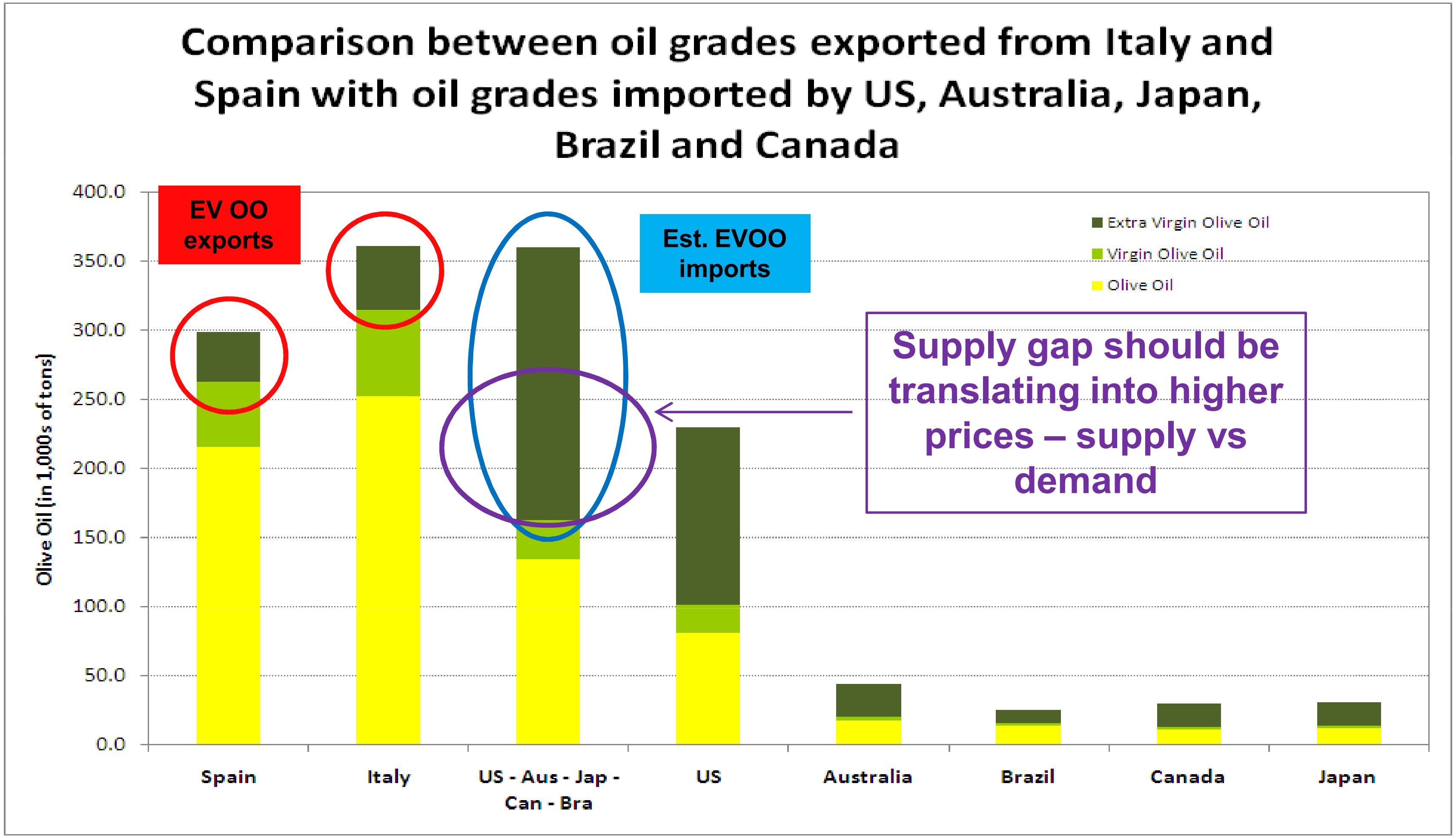
Source: IOC & ISMEA

Olive oil trading balance in Italy



Source: IOC; ISMEA; El Cultivo del Olivo; Caiani & co.

Export grades don't seem to align with imports



Source: IOC; ISMEA; El Cultivo del Olivo; Caiani & co.

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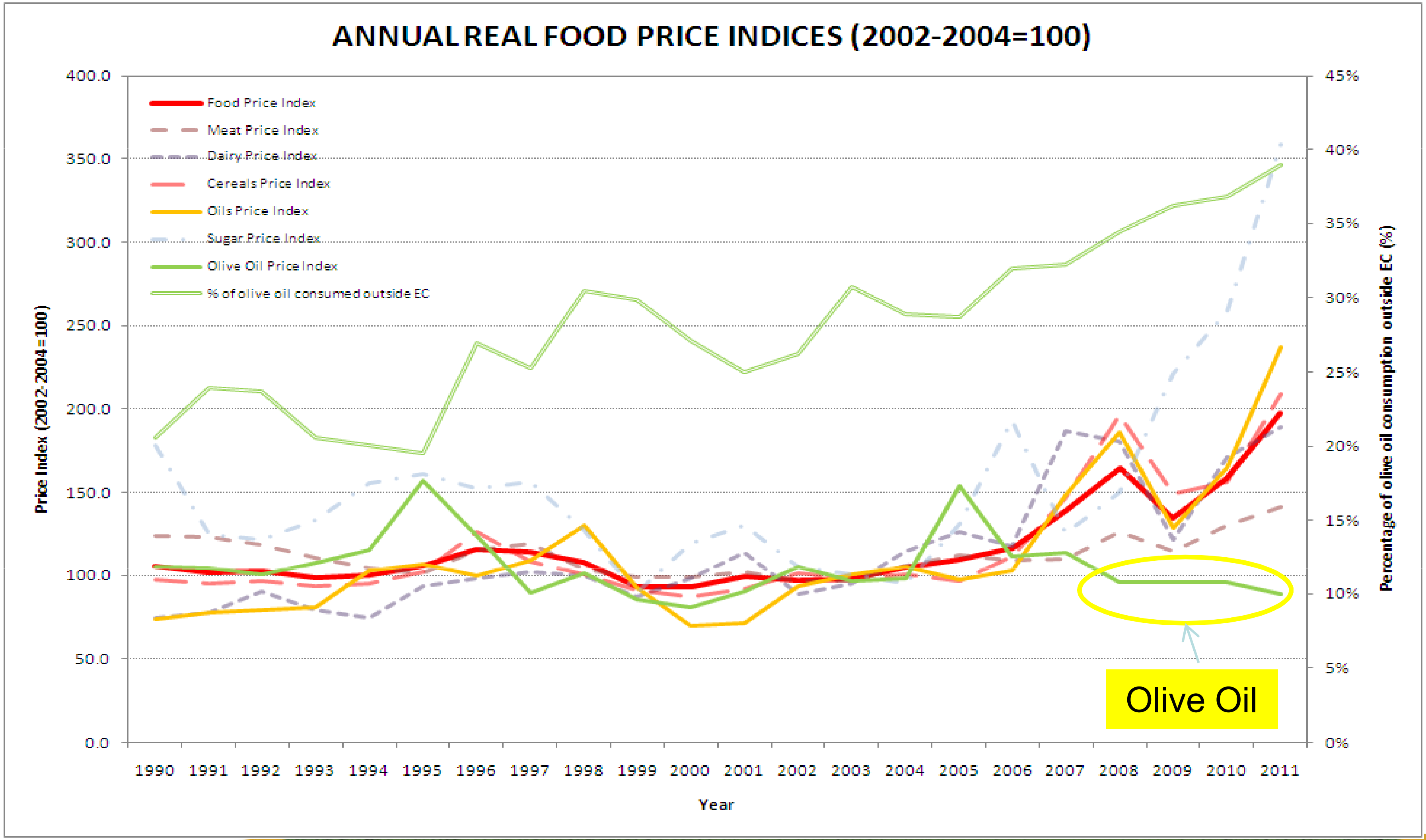
The result - olive oil has defied a general upward trend in food prices



Sources: IOC, Modern Olives, FAO, others.

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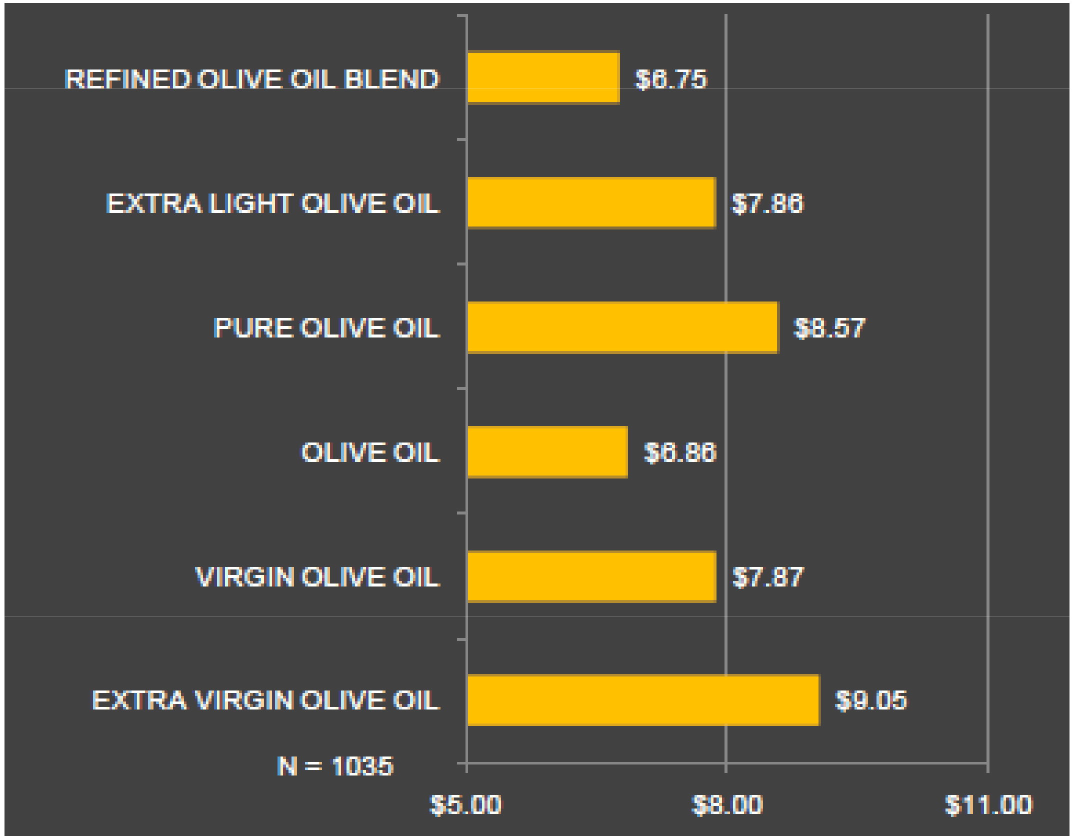
The 'name' effect on what consumers are willing to pay for a 500ml bottle



Source: Colmar Brunton

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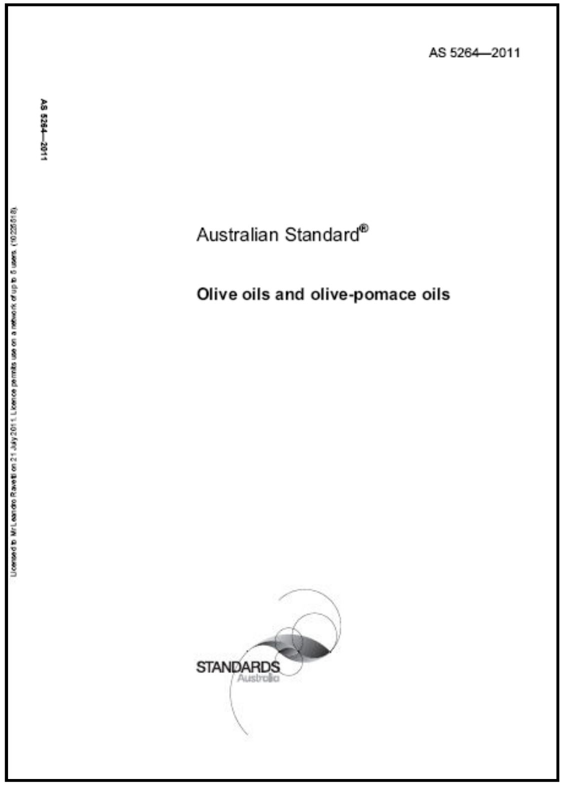
How do we fix this?

Truth in Labelling (UK e.g.)

Regulation


AS 5264—2011

Australian Standard®

Olive oils and olive-pomace oils

STANDARDS Australia

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Summary

- Consumption of oils and fats increasing ~6m tonnes p.a.
- Olive oil accounts for 1.8% of global oils and fats trade by volume and11.2% by value
- Olive oil prices remain low due to the combined impact of:
  - Subsidies
  - Concentrated demand; fragmented supply
  - Access to finance
  - Mislabeling and adulteration