

OPPORTUNITIES FOR SOUTH AUSTRALIA IN OLIVE OIL

The opportunity for South Australian olive oil producers is likely to lie in the luxury, premium end of the olive oil market and not in competing for bulk commodity olive oils against the main European producers.



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This fact sheet presents a high level summary of the opportunities for South Australia to supply olive oil to the eight countries analysed through the Functional and Luxury Foods Research Project.

Olive oil is widely available and not generally thought of as a luxury food. However certain oils in certain markets could be considered a luxury and can command correspondingly higher prices than other oils on the market. In markets such as China, extra virgin olive oil has seen consumption surge from almost zero to 37,000 tonnes in 2014. Similarly, India has seen a compound annual growth rate in the last few years of almost 80%.

CHINA China produces some domestic olive oil (20-30 tonnes per year) but low financial investments have restricted its mass production. China has seen significant growth in imports of olive oil in recent years, but a crackdown on corruption in 2013-14 saw a decline in import activity. Olive oil is widely given as a gift in China, as top brands are perceived as luxury items.

HONG KONG See findings for China.

INDIA In India, olive oil is a healthy, premium product (not luxury), but awareness of its use as a food ingredient is relatively low. The general price of olive oil ranges from USD20-25 per litre, a high price in India, where high-end olive oils like the Castillo brand can cost up to USD80 per litre. The past few years in India have seen increased imports of olive oil from Mediterranean countries, especially from Spain and Italy alongside the United States and other European countries like Greece. Infused or flavoured oils, like truffle oil, are the most expensive with some products selling for over USD100.

INDONESIA The researchers did not specify particular opportunities for olive oil in Indonesia.

JAPAN During the last 20 years, olive oil consumption in Japan has grown due to dietary and health concerns. Due to the small-sized kitchens in Japan, consumers favour smaller bottles, mostly 250-500mls. Traditional olive oil producer and exporter countries such as Italy and Spain have increased their sales in the Japanese market, and many premium bottles are available at USD30-45.

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SOUTH KOREA The researchers did not specify particular opportunities for olive oil in South Korea.



OPPORTUNITIES FOR SOUTH AUSTRALIA

Australia has a small, niche olive oil industry that currently largely relies on the domestic market, with exports only about 10% of local production. Of the 150-170 growers in South Australia, only about six can be categorised as medium to large scale commercial operations (i.e. with 50 to 500 hectares of groves and with full time paid employees). The balance is largely hobby farmers and small-scale producers that largely rely on localised distribution through door sales and farmers' markets. The largest producer in Australia, Boundary Bend (Cobram Estate and Red Island brands) is located in Victoria.

Traditionally, the local industry has been focused on import substitution rather than exporting, however it has struggled in the domestic market in the face of the difficulties of getting widespread retail distribution against large-scale European brands. However, markets for olive oil are developing strongly in Asia, especially in countries such as China, Japan and India, where the health benefits of olive oil are increasingly recognised, and where top brands of olive oil can be seen as luxury items, for example given in gift packs.

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- South Australian producers need to emphasise the fact that their products are highly pure, extra virgin olive oil and the high quality products that they are producing, differentiating from European brands which may be chemically refined. The perception of South Australian produced olive oil as a high quality, highly pure and trustworthy product needs to be developed. The use of an industry endorsed certification of olive oil as EVOO in Asian markets, coupled with market education on the varying levels of quality of imported oils, can help to position South Australia produced olive oil as a premium product.
- South Australian producers may need support to access distribution channels in Asia, for example through support to set up e-commerce operations in China, or for establishment of relationships with importers and distributors in major Asian markets.
- Product development, for example olive oil / truffle oil mixtures, can enable South Australian producers to access very high value markets in Asia, with these products selling for over AUD100/litre. Hence, encouragement of product development initiatives across the broader luxury food ecosystem in South Australia can help producers to access value-added opportunities.



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