



**Testimony of**

**Adam Englehardt, Vice President**

**Before the**

**U.S. International Trade Commission**

**Olive Oil: Conditions of Competition between U.S. and Major Foreign Supplier Industries**

**Investigation No. 332-537**

My name is Adam Englehardt and I am the Vice President of California Olive Ranch in Chico, California. On behalf of the U.S. olive oil growers' and processors' industry, I want to thank the Commission for conducting this fact-finding investigation and making it possible for the U.S. Congress to gain greater insights into the economic competitiveness of our industry.

While the domestic demand for olive oil has increased substantially in recent years, 98 percent of the olive oil consumed in the U.S. is supplied by imports. The U.S. olive oil industry is still in its relatively early stages of commercial development; however, substantial European government subsidies, ineffectual quality standards, combined with rampant fraud and mislabeling have prevented the U.S. olive oil industry from realizing its potential. These issues create significant price distortions that are not determined by the market but rather by olive oil products that are labeled as being of comparable quality in fact being vastly different.

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In the last two decades, many U.S. crops have experienced increased expansion in acreage, production, and global trade due to a number of factors, such as NAFTA, the Uruguay Round of multilateral trade negotiations, the weak dollar, improved information on the benefits of eating nutritious foods like olive oil, and the recent increased popularity of the Mediterranean diet. Tree nuts, berries, and countless other specialty crops' have expanded in acreage and total revenue during this time. Unfortunately, the U.S. olive oil industry has not shared in this expansion and few domestically-grown crops have provided U.S. consumers with such a small percentage of their consumption.

This imbalance between U.S. olive oil production and imports would be expected if the U.S. was incapable of producing olive oil in large quantities. Domestically produced olive oil is not a specialty segment of the olive oil industry, but some perceive it as such due to the aforementioned price distorting factors. Once the U.S. olive oil industry is allowed to compete in a market fairly based on price and quality, consumers will be able to make informed purchasing decisions based on reliable labels and standards.

Other witnesses will detail how the European government programs provide unmatched olive oil subsidies while building import barriers that discourage North African countries from exporting to European countries and instead encourage such exports to the United States. They will also discuss olive oil standards in Europe for imported olive oil and Spanish government leaders objecting to the U.S. establishing its own quality standards. You will also hear testimony on reported incidences of significant olive oil fraud and product mislabeling in European countries, which result in non-competitive conditions in the U.S. market for domestically-produced olive oil.

We do not want any government programs to limit our ability to compete in the food service or larger retail markets, nor do we want U.S. government support programs like the two billion euros in annual subsidies provided to European growers. Our industry is also very concerned about a serious lack of U.S. mandatory quality standards for imported olive oils as well as a lack of government enforcement concerning product mislabeling and fraud.

We are pleased to learn that USITC staff will visit Europe to investigate the European olive oil industry firsthand, as well as visit with individuals at the European Commission and in EU member states. During these visits, we anticipate that USITC staff will learn more about EC concerns with European olive oil quality standards and possible product mislabeling fraud. We believe that if new EC reforms are successful, the consumer costs for olive oil will be reduced and that with fraud controlled, the overall cost to the European processor for product testing will also decrease. These reforms are also an important objective of U.S. olive oil growers and processors. We also hope that EC and olive oil member-state governments will cooperate with USITC staff by providing all requested information on direct support being provided to European olive oil growers and processors. This support is impacting U.S. olive oil prices and contributing to an olive oil surplus in Europe.

In closing, I want to say that to a great degree, our domestic olive oil producing industry is experiencing similar conditions to what the U.S. wine industry experienced in the 1970's and 1980's, when a New World industry was being forced to compete against Old World programs. It is our goal to have these Old World programs of generous direct supports and high tariffs resolved in the next multilateral trade round, and the quality and fraud problems resolved by U.S. federal government agencies. Further, the U.S. olive oil producing industry's purpose in requesting this investigation is not to end or hinder all U.S. olive oil imports but rather to let the

market determine the current competitiveness of U.S. producers and give them an equal opportunity to gain greater market share and satisfy more of the growing domestic demand for high quality olive oil.