Statement of Alexander J. Ott
Executive Director of the American Olive Oil Producers Association
Before the U.S. International Trade Commission

Invs. No. 332-537
Olive Oil: Conditions of Competition between U.S. and Major Foreign Supplier Industries

Good morning. I am Alexander Ott and I am the Executive Director of the American Olive Oil Producers Association (AOOPA), which is a federation of U.S. olive oil growers, processors and state associations that represents over 90% of all U.S. olive oil production.

Our U.S. olive oil has a great deal of potential for growth but our domestic growers, producers, and marketers have obstacles to reform. The following are the primary obstacles:

- Improving the image of olive oil by adopting quality standards and prohibiting fraud; and,
- Persuading governments to stop distorting olive oil economics (See the attached letter to USTR for the National Trade Estimate Report on Foreign Trade Barriers.)

To some extent, AOOPA is envious of those that have adopted mandatory quality standards, such as the European countries. However our U.S. research demonstrates that their quality standards have not kept up with the methods to detect the various nutrients that make extra virgin olive oil far superior to other olive oils as the previous witnesses on this panel have described.

MARKETING ORDER

Fortunately, the U.S has laws in place that permit agriculture growers and processors to organize to petition the Secretary of Agriculture to allow them to adopt several types of program such as:

- Quality standards;
- Research; and,
- Market promotion.

One of these tools is the adoption of a federal marketing order, which I would like to address as there are several misperceptions and disinformation being reported.

First, the process of adopting a federal marketing order is beneficial for both domestic producers and importers due to its lengthy, open, and transparent process, which typically takes between 18 – 24 months to complete. Before any program can be adopted the marketing order proposal will have a notice and comment period (which will include public hearings), be approved by the

Secretary of Agriculture, and finally have a grower referendum for approval. In essence a marketing order is an entity governed by by-laws which determine the number of board members, meetings, governance rules, etc. and makes recommendations to the Secretary of Agriculture. All actions, budgets, activities are recommended to the Secretary from the industry and then must be approved by the USDA. All interested parties, including importers, retailers, consumers, and even European exporters, are allowed to participate in the notice and comment period and there is no guarantee that if a marketing order is introduced that it will ever be implemented.

Only after the marketing order is approved by the Secretary and subsequently by the growers, may the grower organization recommend to the Secretary the program(s) it wants to adopt, such as quality standards, which the entire U.S. olive oil industry needs and will only, at least initially, apply to the U.S. olive oil production states. The purpose of quality standards is what all of us in this room want – protection of American consumers. If consumers are paying for extra virgin olive oil, then there should be real, unequivocal extra virgin olive oil in the bottle. In the U.S. we call this truth in advertising.

Once the domestic standard is implemented, the Secretary of Agriculture and the Office of the U.S. Trade Representative have to approve the import quality standard, which again takes additional time, public comments, and review. Approving the standard requires an evaluation to determine if the standard complies with the WTO's National Treatment obligations. Incidentally if FDA was to approve an olive oil standard of identity the same WTO approval process is required, however the FDA process is not as inclusive as the marketing order process. In addition, if Europe's olive oil industry has benefited from an import quality regulation why shouldn't the U.S. go ahead and protect the U.S. consumer from both fraud and poor quality olive oil.

If I could, I would like to share a brief story about a phone call I received last Friday from the media. I had to clarify several key points. To date there has not been a marketing order submitted nor has one been drafted for submission so there is no marketing order entity that would have an interest in the farm bill. Yes, we are discussing a potential order with growers but the hysteria over a potential federal marketing order is somewhat humorous, as several parties have indicated that they are already opposed to something that doesn't yet exist. Based on my experience, this fear is due to not knowing or understanding the process.

Let me again stress that the olive oil issues of today are about consumer protection. In order to protect our industry's integrity, we must make sure that our olive oil is correctly labeled on every bottle and that a level playing field exists. Working together toward that goal is what the consumer wants and what our industry needs. In closing I thank the Commission for the opportunity to testify and welcome your questions.

Response to USTR's Request for Public Comments for the National Trade Estimate Report on Foreign Trade Barriers Docket No. USTR-2012-0021

The importance of focusing on the international trade in olive oil for the U.S. olive oil industry cannot be emphasized enough. However, the existing tariff and non-tariff barriers, including foreign domestic support, are preventing U.S. olive growers and processors from realizing their true potential. When comparing the growth of the U.S. wine, almond, pecan and walnut industries over the last two or three decades to the U.S. olive oil industry, it becomes apparent foreign government tariff and non-tariff barriers are responsible for the lack of progress for the U.S. olive oil industry.

The U.S. olive oil industry is pleased to submit this information to the United States Trade Representative's Office in an effort to level the playing field for U.S. olive oil exports. We believe there are tariff and non-tariff trade problems that USTR must address in order for the U.S. industry to thrive in the global marketplace.

European Union Subsidies

Our first concern is the extremely high grower supports that the European Commission (EC) provides to olive oil growers and producers in several member states. The EC provides grower income and incentives of approximately 2.5 million Euros to support the production of olive oil. In turn, the olive oil surplus is depressing world olive oil prices. The low priced olive oil that is below the cost of production allows the European olive oil to move to non EC consuming countries, and therefore hamper efforts of other countries that are establishing olive oil industries such as the U.S. has done. The EC direct support payments not only disrupt the U.S. domestic market but will eventually make it prohibitive for the U.S. olive oil industry to export.

The EC also provides private storage funding. When prices drop below a pre-determined level, the EC pays producers to store their olive oil in order to create a supply-demand situation. The direct support and storage funding is resulting in a significant olive oil surplus.

EC member Spain's province, Andalusia, has repeatedly provided additional support to its olive growers to equal 40 percent of the market value.

EU Tariffs

Secondly, the EU and the United States both charge duties for imported olive oil. However, Europe's import tariffs ($1.59) are extremely high compared to those of the United States ($0.05). With EC support and high tariffs, the European olive oil industry is protected from any competition. Attached are the EC tariffs.

Alex Ott
Executive Director

2525 Alluvial Avenue, Suite 281 • Clovis, CA 93611
Phone: 559.472.7838 • Fax: 559.473.4882

Olive Oil Tariff Description and Rates for the U.S. and the EU

General Tariff Description		United States			European Union		
1509.10 -	Olive oil and its fractions, whether or not refined, but not chemically modified: Virgin	1509.10.20 -	weighing with the immediate container under 18 kg	$0.05/kg on contents and container	1509.10.10 -	Virgin lampante olive oil	$1.57/kg net wt
		1509.10.40 -	weighing over 18 kg	$0.034/kg	1509.10.90 -	Other than virgin lampante olive oil	$1.59/kg net wt
1509.90 -	Olive oil and its fractions, whether or not refined, but not chemically modified: other than virgin	1509.90.20 -	weighing with the immediate container under 18 kg	$0.05/kg on contents and container	1509.90 -	See General Description	$1.72/kg net wt
		1509.90.40 -	weighing over 18 kg	$0.034/kg			
1510.00 -	Other oils andt heir fractions, obtainedsolely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509:	1510.00.20 -	rendered unfit for use as food	Free	1510.00.10 -	Crude oils	$1.41/kg net wt
		1510.00.40 -	fit for use as food, weighing with the immediate container under 18 kg	$0.05/kg on contents and container			
		1510.00.60 -	fit for use as food, weighing over 18 kg	$0.034/kg	1510.00.90 -	Other than crude oils	$2.05/kg net wt

NOTE: European Tariff rate has been converted into dollars using the exchange rate of $1 to €0.783.

Prepared by Schramm, Williams & Associates, Inc. using data from the U.S. International Trade Commission and the Official Journal of the European Communities, Commision Regulation (EC) No 1832/2002.