Testimony

United States International Trade Commission
Investigation No. 332-537
Olive Oil: Conditions of Competition Between U.S. and Major Foreign Supplier Industries

Presented by:

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December 5, 2012
Washington, DC

My name is Mechel Paggi and I am the Director of the Center for Agricultural Business at California State University, Fresno.

The ability of California and other U.S. producers to share in market growth will be challenged by competition from imported olive oil with a current market share of over 98%. Industry experts estimate that with fair market conditions and consistent product quality the California olive oil industry is capable of taking off on a dynamic growth path with estimates of production increasing to 2.5 million gallons within the next 3 to 4 years.[1] Other projections by banking industry representatives suggest additional plantings of over 5000 acres per year to 2020 and a 5% market share for California within the next five years.[2] California producers are poised to share in what is projected to be a 13% rise in the retail market for olive oil by 2015.

California olive producers have responded to the competition in the market place through innovative production practices and marketing programs. Traditionally olives were planted between 100 to 150 trees per acre. New plantings in California were done at a higher density of planting to increase per acre production, doubling the number of trees per acre. Around 2001 super high density plantings were introduced with 500 to 900 trees per acre designed to utilize machine harvesting. In addition to mechanization and planting densities producers are utilizing more efficient irrigation technology and input management to increase both economic and resource management efficiencies.

Efforts to increase output and efficiency have been complimented by marketing campaigns to increase public awareness of the California industry. Increasingly olive oil is being marketed at wineries as a complementary product pairing addressing consumer interest in local products. Smaller growers focused on less common varietals and organic production addresses other trends in consumer demands. The combination of a Mediterranean climate, production expertise, and entrepreneurial

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[1] Interview with Dan Flynn, Executive Director of the UC Davis Olive Center, Western Farm Press, May, 2012.
[2] Rabobank, August 31, 2012.

spirit provide the foundation for California to capitalize on the growing opportunities the market has to offer.

Unlike their foreign competitors, California producers receive little government support in their efforts to grow the industry. Federal funding for research and extension have been a support to all of U.S. agriculture. Cost sharing programs to aid in oversees marketing programs and block grants to sponsor competitive grants in support of specialty crops are other examples of the type of supports the industry may call on for assistance. Other countries, particularly the main suppliers from the European Union (EU), Italy and Spain, receive direct support from their government programs. For example in Spain, support to olive producers is reported to account for about 34 percent of the total revenue received.[3] Italy allocated annual support of $11.5 million to the improvement of the quality of its olive oil industry in 2010 and 2011. Subsidies of this order have contributed to surplus production resulting in inventories estimated to be in excess of 400,000 metric tons for the current marketing year, with accompanying downward pressure on prices.[4] To address over-supply issues the EU provides conditional support for the storage of olive oil during periods of low prices or market disturbances, amounting to over $10 million in outlays in 2010.

Gaining a better understanding of the current market conditions confronting the U.S. olive oil industry is the purpose of this investigation. Hopefully the information provided in this testimony has helped in that regard. Thank you for arranging this hearing and for allowing me to share my views on the California olive oil industry.

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[3] http://www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/ministerioagriculturaalimentacionmedioambiente/2012/ntpr20120222_aceite.htm

[4] USDA, Foreign Agricultural Service, GAIN Report No. E70016, 4/12/2012

Resume

Education

Ph. D., Agricultural Economics, Texas A&M University, College Station, Texas
M.S., Economics, University of North Texas, Denton, Texas
B.B.A., Economics, University of Texas, Austin, Texas

Professional Experience

January 2002 to Present- Director, Center for Agricultural Business, California State University, Fresno California.

January 1998 – December 2001, Executive Director, Congressional Commission on 21st Century Production Agriculture, Principal Analyst-Agriculture, Congressional Budget Office, National Program Leader for Natural Resource Economics, USDA-CSREES, Washington, D.C.

January 1995 – December 1997 – Senior Economist, Food and Agricultural Organization of the United Nations, Rome, Italy.

January 1988 – December 1994, Senior Economist – Trade and Agricultural Policy, American Farm Bureau Federation, Chicago, Illinois.

September 1981 – December 1987, Assistant Professor-International Trade and Transportation, Department of Agricultural Economics, Texas A&M University.

Selected Publications

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