Voluntary - Public

Date: 7/6/2010
GAIN Report Number: IT1028

Italy

Post: Rome

Olive Oil Update

Report Categories:

Oilseeds and Products

Approved By:
Jim Dever
Prepared By:
Cyndi Barmore

Report Highlights:
Italy produces 500,000 MT of olive oil, domestically consumes 700,000 MT, and exports 300,000 MT annually. Sixty percent of Italian olive oil production is extra virgin olive oil, the highest quality category of olive oil, while the remainder is lampante. Olive oil trade is vulnerable to fraud based on the quality of the oil or the labeled country of origin. There is an on-going global debate to expand the definition of extra virgin olive oil to account for climatic differences in emerging olive oil producing countries, particularly in North Africa.

General Information:

Different Types of Olive Oil

The requirements for different categories of olive oil in the European Union are defined in EC Regulation 2568/91 and EC Regulation 796/2002. Similarly, the Codex Standard 22-1981 and the International Agreement on Olive Oil and Table Olives, 2005 define international standards for olive oil characteristics. These include a range of requirements, such as acidity levels and acceptable manufacturing processes, that olive oils must have in order to be labeled as extra virgin olive oil, virgin olive oil, ordinary virgin olive oil, virgin lampante olive oil, refined olive oil, olive oil, crude olive-residue oil, or refined olive-residue oil. After the olives have been pressed, there are three remaining residue products: the pulp, water, and nut. The pulp can be further processed for a type of low-grade olive oil, while the nut can be processed for pomace oil.

Extra virgin olive oil commands the highest market price of all olive oils for its superior quality, followed by lampante as the second major category, and pomace oil as the third. Olives are processed through a centrifuge to produce edible olive oil, and the resulting oil must have a variety of necessary characteristics pertaining to acidity, peroxide content, and other qualities to be labeled as extra virgin olive oil. Neither lampante nor pomace oil are permitted for human consumption without further refining. Lower quality olive oils can be refined to meet the standards necessary to be sold as olive oil for human consumption, but they can never be refined to reach the standards necessary to be labeled as extra virgin olive oil.

Italian Production and Consumption

According to Unaprol, Italy's primary consortium of olive growers, Italy produces 500,000 metric tons (MT) of olive oil annually. Of total production, 300,000 MT is extra virgin olive oil, while 200,000 MT is lampante. Ninety-five percent of Italian olives are produced for oil, while 5 percent are produced for table consumption. There is an Italian tradition of purchasing olive oil directly from producers, and approximately 100,000 MT of olive oil is sold directly in this manner. Consequently, 200,000 MT of extra virgin olive oil is sent to the market, equal to about 200,000,000 bottles or liters. Italy exports 40 percent of the extra virgin olive oil sent to market, constituting about 80,000 MT or 80,000,000 bottles.

Italy only produces half of its total demand for olive oil, and Italian olive oil accounts for 10 to 15 percent of Italian domestic olive oil consumption. The average Italian consumes 11 bottles of olive oil annually, creating total domestic consumption of 600,000,000 bottles. Considering that Italy consumes 700,000 MT and exports 300,000 MT of olive oil, its total demand is 1,000,000 MT, which constitutes twice as much as its annual production of 500,000 MT.

PSD Table

Country:

Commodity: **Olive Oil**

		2008/09		2009/10		2010/11
		New		New		New
Marketing Year Begin		**11/2008**		**11/2009**		**11/2010**
Trees						
Beginning Stocks		350		335		310
Production		607		464		600
Total imports		492		550		500
TOTAL SUPPLY		**1,449**		**1,349**		**1,410**
Total exports		323		250		300
Industrial		20		20		20
Food Use		771		769		770
Feed, Seed, Waste						
TOTAL Domestic Use		791		789		790
Ending Stocks		335		310		320
TOTAL DISTRIBUTION		**1,449**		**1,349**		**1,410**

Potential for Fraud

Olive oil is one of the largest sources of agricultural fraud in the European Union, and *The New Yorker* estimated in 2007 that only 40 percent of Italian olive oil sold in the United States as "extra virgin" meets the necessary specifications. There are two primary types of fraud for olive oil: fraud related to the type of oil and fraud related to the country of origin. The first concerns the characteristics of the olive oil itself. Because some olive oils are cheaper to produce, some processors may mix lower grade olive oil with higher grade olive oil and label the final product as a higher grade olive oil. For example, it is illegal to mix olive oil and extra virgin olive oil to sell as extra virgin olive oil. Other fraudulent mixtures may include oil from nuts or sunflower seeds. It is hard to detect levels of lower-quality oils that are less than 5 percent of the total volume, and the hardest to detect is the presence of nut oil. It is illegal to produce seed oil in Italy, because it is a major EU producer of olive oil, but it is legal to sell imported seed oil in Italy.

The second type of fraud concerns country of origin labeling. It is fraudulent for a producer to mislabel the olive oil's origin to capitalize on consumer preference for certain countries of origin. According to Unaprol, Italian olive oil commands the highest market price, followed by Spain, Greece, and North Africa. The United States and the European Union (EU) have different origin labeling standards for olive oil. Olive oil sold in the United States must identify the countries from which the olives originated, listed in order of importance but not including percentage. In contrast, olive oil sold in the EU must be labeled either with the single country of origin, as EU, as non-EU, or as a mixture of EU and non-EU olives. Both labeling regimes focus on the origin of olives used in processing rather than on the manufacturing or bottling location. The EU's new labeling standards came into effect on July 1, 2009 and are included in EC Regulation 182/2009. Producers have an 18 month window from July 1, 2009 to bring their products in line with the new regulation, and until that period expires, there will be some products labeled according to the old regime and some labeled according to the new regime.

Ten years ago, Italy, Spain, and Greece produced 80 percent and consumed 90 percent of olive oil globally. Today, those leading Mediterranean countries consume about 60 percent of total olive oil, with consumption increasing the most in the United States, Japan, South America, and Eastern Europe. As new markets increase demand for olive oil, the risk for fraud increases, as new consumers may have less knowledge of quality and less ability to detect fraudulent products. To combat this type of fraud, Unaprol will collaborate with Gambero Rosso to publish a guide in 2011 for the highest quality Italian extra virgin olive oils.

On-Going Debate To Modify Standards

There is an on-going debate about whether or not the definitions of olive oil categories should be changed. When earlier regulations were developed, there were a limited number of major olive oil producers, including Italy, Spain, and Greece. Today, there are other major olive oil producers such as Australia, Chile, New Zealand, and North Africa. The EU accounts for about 80 percent of global olive oil production, North Africa accounts for 15 percent, and the others produce the remaining 5 percent. Climatic differences in producer zones outside the EU produce olives with different qualities, leading to defects in extra virgin olive oil according to current agreements on the definition of extra virgin olive oil.

The on-going global discussion concerns demands coming from new olive oil producing countries that wish to change the requirements for extra virgin olive oil. According to Unaprol, loosening regulations would lead to two problems. First, the market for extra virgin olive oil would become saturated with lower quality olive oils. This would mislead consumers into purchasing a lower quality product while taking market share from producers of high quality olive oil. Second, there would be new opportunities for fraud. There is a control system currently in place to detect fraud, and if the parameters for extra virgin olive oil were enlarged, fraud would be harder to detect.

Major olive oil producing countries in Europe cannot lobby regulatory agencies on their own, but rather they must work through the EU. According to Unaprol, the EU's position on this issue is fairly bland, given competing priorities and the political necessity to make concessions during a variety of negotiations. The EU has other priorities, Unaprol claims, particularly the development of North Africa which could be aided by less stringent controls on olive oil production.