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GLOBAL STANDARDS FOR EXTRA VIRGIN OLIVE OIL ARE WIDELY UNENFORCED, WEAKENING THE COMPETITIVE POSITION OF U.S. AND OTHER PREMIUM PRODUCERS, SAYS USITC

U.S. olive oil production has risen quickly in recent years in response to higher global demand, but recent investment has slowed, in part because of concern among U.S. producers that their competitive position in the U.S. market is threatened by a lack of regulatory oversight, reports the U.S. International Trade Commission (USITC) in its publication *Olive Oil: Conditions of Competition between U.S. and Major Foreign Supplier Industries*.

The USITC, an independent, nonpartisan, factfinding federal agency, completed the report at the request of the U.S. House Ways and Means Committee.

As requested, the report provides information on production, consumption, and trade, with an overview of the international market for olive oil; overviews of the commercial olive oil industries in the United States and other major supplying countries; analysis of the factors that affect the competitiveness of the major olive oil-producing countries; and an assessment of the role of imports and other factors, such as standards and pricing, on consumption in the United States. Highlights of the report follow.

- Although U.S. production of olive oil remains small on a global scale, the United States is among the nontraditional producing countries that are responding to higher global demand, and output has risen quickly in recent years. But recent investment in U.S. olive oil production has slowed in reaction to lower global prices following a succession of bumper crops in Spain, and because of concern among U.S. producers that their competitive position in the domestic market is threatened by a lack of regulatory oversight.

- Current international standards for extra virgin olive oil allow a wide range of oil qualities to be marketed as extra virgin. In addition, the standards are widely unenforced. Mandatory testing with penalties for noncompliance exists only in Canada and the European Union. However, testing in the EU is only mandatory for a very small share of production (0.1 percent). Broad and unforced standards lead to adulterated and mislabeled products, weakening the competitiveness of high-quality producers, such as those in the United States, who try to differentiate their product based on quality.

- EU government support programs contribute to high overall supplies of olive oil, reducing global olive oil prices. Many small growers in the EU rely on costly traditional methods of production and have costs that are at or above global prices. Because some of these producers would likely cease production in the absence of income support from the EU, the CAP has the indirect effect of increasing total global olive oil supply and reducing prices.

- Olive oil marketers aim to differentiate their products by brand and level of quality, but price remains one of the most important factors in U.S. consumer purchasing decisions. This is due, in part, to a lack of consumer awareness of quality differences. U.S. consumers are generally unfamiliar with the range of olive oil grades and uses.

- Broadly, two types of business models are employed to attract customers in the U.S. retail market: cost leadership or product differentiation. Firms that focus on cost leadership, such as large bottlers that blend oil produced in multiple countries, attract consumers mostly on price. On the other hand, smaller, vertically integrated firms produce a higher quality, more flavorful oil and try to differentiate their product based on quality.
- The U.S. olive oil industry produces high-quality extra virgin olive oil, mostly through highly mechanized and intensively managed groves. U.S. farm level production costs for olive oil are competitive, but lack of scale and high capitals costs result in higher prices in the retail market.

Olive Oil: Conditions of Competition between U.S. and Major Foreign Supplier Industries (Inv. No. 332-537, USITC publication 4419, July 2013) is available on the USITC's Internet site at *http://www.usitc.gov/publications/332/pub4419.pdf*.

The report may be requested by emailing *pubrequest@usitc.gov*, by calling 202-205-2000, or by writing the Office of the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436.

USITC general factfinding investigations, such as this, cover matters related to tariffs or trade and are generally conducted at the request of the U.S. Trade Representative, the House Committee on Ways and Means, and the Senate Committee on Finance. The resulting reports convey the Commission's objective findings and independent analyses on the subject investigated. The Commission makes no recommendations on policy or other matters in its general factfinding reports. Upon completion of each investigation, the USITC submits its findings and analyses to the requester. General factfinding investigations reports are subsequently released to the public, unless they are classified by the requester for national security reasons.

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