

Olive industry overview

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Introduction

Olive growing in Australia goes back to the early years of the last century, but during the 1990s there was a major increase in interest and investment in olives as an industry.

There are two basic products: olive oil and table olives. Olive oil products dominate the marketplace, and 80% to 90% of olives produced are devoted to olive oil production. Most interest is in producing high quality extra virgin (EV) olive oil, for which there is good demand. EV olive oil can be easily produced in many NSW regions to world's best specifications or quality, both chemically and organoleptically, that is, in taste, smell and colour.

Since the mid 1990s there have been about 30 000 hectares of olives planted in Australia, and of these about 8000 hectares are in NSW. There are about 500 growers in NSW and the average orchard size is 10–12 hectares. Olive groves vary in size from one hectare to more than 300 hectares.

Olives have been planted throughout NSW across a diverse range of environments from the subtropical north coast to the western Riverina.

Olive production in NSW is located in five main zones.

- Northern NSW (including Moree, Inverell and Tamworth areas);
- Hunter Valley;
- Central West (including Mudgee, Parkes, Young, Cowra, Orange and Bathurst areas);
- Southern Tablelands and Highlands (including Mittagong, Canberra and Cooma areas);
- Riverina (including Cootamundra, Tumut, Albury, Griffith and Wagga Wagga areas).

There are few mature trees in NSW; however, production is growing rapidly and most trees will reach maximum production by 2010.

Industry value

In 2004, NSW produced about 1800 tonnes of olives for oil production and up to 200 tonnes of fruit for table olives. Based on 18% oil recovery, 324 tonnes of olive oil were produced with a farm gate value of \$1.6 million.

Production will increase substantially over the next five years and production potential from current orchards by 2012 is 80,000 tonnes of fruit (producing >13,000 tonnes of oil) with a farm gate value of about \$70 million. This assumes all trees currently planted continue to be well managed and on reaching maturity at 6–9 years, produce annually 40 kg (range 25–50 kg) of fruit per tree in a grove with 250 trees per hectare. The biennial bearing habit of olive trees, their management and the climate will be important influences on annual production.

Wholesale value of olive oil in NSW is difficult to assess at present due to limited production and the large number of small-scale producers and sellers of small volumes of product.

In 2004, the supermarket wholesale price was \$7 per litre of olive oil produced in NSW, totalling a market value of \$2.6 to \$3.2 million. Using this price per litre, the total wholesale value of olive oil produced in NSW could rise to \$108 million by 2012. However, this calculation should be tempered with the knowledge that open market competition may cause the price per litre to fluctuate in the future.

Retail prices for Australian olive oil vary from specialty boutique prices of greater than \$50 per litre to supermarket retail prices of \$14 to \$18 per litre.

NSW now has commercial-scale processors in each major olive-growing region. The processors provide a focal point for industry development activities as well as value adding to the product through processing and packaging and providing a marketing avenue for growers.



Exports

Australian olive oil is being exported in modest volumes at present. The single largest shipment to date is 700 tonnes. Most other exports have been small-scale trial shipments. Australian olive oil is becoming well regarded for its high quality and there is considerable optimism in the industry that export of a substantial proportion of the Australian crop will be possible. Given that within a few years production is projected to be substantially higher than domestic market demand, there is increasing interest in developing export markets.

The role of the olive industry in tourism in NSW

Olive production is viewed as a strong tourist attraction associated with fine food production, and the Hunter, Mudgee and Southern Tablelands areas, where there are high tourism traffic levels, have been able to capitalise on this image to promote and sell their olive products. Olive production can be achieved with relatively low input levels, and there is interest in developing organic production in many NSW environments. Farm stay facilities and eco-friendly production can also offer tourism potential.

The NSW Olive Council is developing a statewide olive production tourism brochure that can promote the industry and inform tourists of the location of olive groves, processors and produce.

Industry structure

Processing olives to produce olive oil products is an industrial process requiring specialised equipment, good knowledge and skill. Contract oil extraction, for producing olive oil, typically costs around \$300 per tonne of fruit, and processing equipment is expensive. Olive oil processing equipment varies in capacity from 50 kg fruit processed per hour to 10 tonnes of fruit processed per hour. Efficiency of processing increases as capacity goes up.

There are **three tiers of market chain structure** at the current stage of olive oil industry development:

1. There is the high-capacity production level for bulk export and supermarket retail markets. This level of production is capable of supplying sufficient volume to major supermarket chains. Corporate investment schemes or private companies operate at this level and are processing and trading in large volumes of olive oil.
2. The second level is the medium-scale regional processor (typically processing 1–2 tonnes per hour), which has developed as a focal point for

industry development and organisation. Most medium-scale processors are also committed to marketing and they provide a market chain entry point for their supplying growers. Processors at this level are either privately owned multiple-grower companies, or are cooperatives.

3. The third level comprises the smaller-capacity processors, who process 50 to 400 kg fruit per hour. These small to medium grower–processors are also marketing their own product, often in their local region at farmers markets, and less intensively into metropolitan areas.

Extra virgin olive oil is the principal product produced. Some producers are producing infused olive oils. Most larger-scale oil producers offer a range of different packaging sizes, from 250 mL bottles through to 20 L drums.

Olive oil production trends and growth forecasts

Analysis of Australian olive oils has shown a relatively high standard, with more than 95% of oil being extra virgin (EV). The domestic market for olive oil currently consumes less than 10 000 tonnes of EV olive oil and about 20 000 tonnes of refined olive oil products such as 'light olive oil' and 'olive oil'. On current consumption patterns, the domestic market opportunity for EV olive oil is a share of about 10 000 tonnes.

The following data sourced from the website of the International Olive Council (IOC), formerly known as the International Olive Oil Council, confirms the increasing demand for olive products in Australia and that discrepancy can occur with statistics.

In 2004, 32 514 tonnes of olive oil was imported and 480 tonnes exported. In 1995, 18 810 tonnes was imported and 68 tonnes exported.

Locally sourced information will always be more up to date. The Australian Bureau of Statistics (ABS) information shows 29 062 tonnes of olive oil imported and 1651 tonnes exported.

In NSW, production could increase from 320 tonnes of oil in 2004 to 13 000 tonnes by 2012 as trees come into commercial-yield-bearing age. This increase in production in NSW will coincide with increases in production nationally, where total production of olive oil was 1400 tonnes in 2003, is an estimated 10 000 tonnes in 2006, and is expected to be 30 000 tonnes by 2010.

Larger volumes of production will impose a much greater pressure to find new markets and move larger volumes of oil, and this could result in downward pressure on prices. These larger volumes of oil and the downward pressure on prices could lead to some rationalisation among

the small producers, and there will be more incentive for small producers to work collectively towards effective marketing and more cost-efficient harvesting and processing operations.

Prices will also be influenced by annual production from domestic and overseas olive groves.

Table olive production and processing

There is one large producer and processor of table fruit in NSW and this company has been successful in both domestic and export marketing of high quality table fruit since 2004.

There are numerous cottage-industry-sized processors of table fruit which are marketing locally and regionally.

- In 1995, 7322 tonnes of table olives were imported and 84 tonnes were exported.
- In 2004, 13 732 tonnes were imported, 4000 tonnes were produced in Australia, and 480 tonnes were exported.

(Source: IOC)

- In 2005, 15 143 tonnes were imported and 215 tonnes were exported.

(Source: ABS)

Export market development

It will be necessary to promote EV olive oil in order to increase domestic consumption and successfully develop export markets. There have been early indications of strong export potential, with one company selling 700 tonnes of EV olive oil into Europe in 2004.

The potential for exports is greatest for those companies that can produce large volumes and achieve cost/quality combinations that suit the export market. Small to medium sized operators have focused their efforts on export into selective high-value markets, including organic markets. Some have had early success with small shipments, but most will have to focus on the domestic market.

Industry organisations

Domestic

There are currently 12 regional olive associations in NSW and one peak state body, the NSW Olive Council, whose membership comprises representatives from the regional groups. There are similar regional and state bodies in the other states.

There is also a national peak body, the Australian Olive Association (AOA).

For more information on these groups and the Australian industry, and for contact details, see the AOA website: www.australianolives.com.au

International

The International Olive Council (IOC) was created to administer the UN International Agreement on Olive Oil and table olives, and is a good source of information on many olive issues and technologies. See the IOC website: www.internationaloliveoil.org

Olive oil testing

The NSW Department of Primary Industries (NSW DPI) laboratory at Wagga Wagga specialises in the research and analysis of olive oil products and offers a commercial service to industry and service providers. Both chemical and organoleptic tests are available. The tests ensure olive oil products meet international standards in a global marketplace.

For more details contact the Customer Service Officer at Wagga Wagga, ph. 02 6938 1957, or see a list of [customer service centres](#).

Growing olives

For more information on growing olives, contact NSW DPI olive advisory staff at:

- Bathurst, ph. 02 6330 1200
- Mudgee, ph. 02 6372 4700

Research

A list of research projects supported by the Rural Industries Research & Development Corporation (RIRDC) can be found in the Australian Olive Industry R&D plan at the [AOA website](#) or the RIRDC website: www.rirdc.gov.au

RIRDC is also a good source of industry development information.

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