

LOCAL RESOURCES AND GLOBAL COMPETITIVENESS: ANDALUSIAN VIRGIN OLIVE OIL EXPORTS¹

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INTRODUCTION

Olive cultivation is the foremost and most prominent agricultural specialisation in the Spanish region of Andalusia. This archetypal Mediterranean crop currently occupies slightly over 1.5 million hectares, more than 40% of the region's cultivated area. Although olives are grown in every farming district, their maximum concentration is found along the Guadalquivir river, where they extend from the fertile plains into the surrounding hills. Their monoculture is particularly noticeable in the provinces of Cordova and, most spectacularly, Jaén.

Over the 2000-2012 period, on average, Andalusia made 70% of Spain's total virgin olive oil sales on international markets, where the trend was highly positive. In the year 2000, 223,613 tonnes were exported. In 2012 that figure had doubled to 467,601 tonnes, which generated €1044.70 million in revenue, showing a mean annual revenue growth of 7.25%

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over the period. The main objective of this paper is to examine the ways in which the Andalusian olive oil sector operates on international markets in order to gain an understanding of the dimensions and characteristics of its recent evolution. A further aim is to identify the main internationalisation strategies the olive oil companies employ.

I. METHODS

Both primary and secondary sources were consulted. During the first stage, the behaviour of olive oil imports around the world, the main buying countries and the characteristics of export activity in the Andalusian olive oil sector were investigated through the UN COMTRADE database statistics for harmonised system code 150910 (virgin olive oil) and Spain-level data from the national tax office (*Agencia Estatal de Administración Tributaria*).

In a subsequent stage, a survey of Andalusian companies that produce and market virgin olive oil was designed and conducted. The census of olive oil companies published in 2012 by the Andalusia Regional Government's Ministry of Agriculture, Fisheries and the Environment listed 1029 businesses throughout the region. A representative random sample with a sampling error of 5%, comprising 289 firms, was contacted by telephone. The final sample was made up of the 214 companies that answered all the questions, giving a final sampling error of 6.09% with a confidence level of 95.5%.

II. ANDALUSIAN VIRGIN OLIVE OIL EXPORTS AND THE EVOLUTION OF WORLD IMPORTS

Traditionally, Andalusia has exported a large proportion of its virgin olive oil production. The destinations fall into two main groups. One comprises developed countries with a tradition of consuming and selling this product, such as Italy, France, the United States or Germany. The foremost in this group is Italy. Repeatedly, for decades now, Italian importers have been turning to the international market (particularly Spain, which has the highest production) not only to address momentary imbalances on the home market but also, particularly, to meet the demand of their clients around the world. The other countries in the group have little or no production of their own but a significant percentage of their population have medium-high incomes and are well-informed and aware of the benefits of a Mediterranean cuisine.

What is most significant, however, and needs to be considered when designing actions to increase exports, is the trend in emerging countries. While the volumes purchased in countries such as Italy, the United States or France have seen negative variations in recent years, Brazil and Russia have been registering mean annual growth rates in excess of 10%. Growth in China is even more spectacular, averaging over 40%.

III. ANDALUSIAN VIRGIN OLIVE OIL EXPORTERS

III.1. Company characteristics

The sector is predominantly made up of small companies, as almost 80% are micro or small businesses and only a minority had a turnover of more than €10 million in 2012. Nevertheless, it is significant that the sector presents an internationalisation rate of over 50%.

This can be explained by the existence of comparative advantages such as soil and climate conditions and the growth in world demand for olive oil.

Among the companies in the sample, experience and having a manager with responsibility for strategic decisions were decisive factors for starting to export. A background of at least 10 years' experience increased the probability of concluding transactions with foreign clients. Nevertheless, the more traditional companies that had been in business for over 40 years appeared to overestimate the risks and most ended up concentrating on the home market, where sooner or later each year they sold their entire production.

III.2. Internationalisation strategies

One of the main reasons behind the decision to export was the chance to improve the company's profits by taking advantage of the opportunities afforded by the international market. However, only 21.1% of companies can be considered active exporters in the sense of having a portfolio of clients and a specific business plan. Most are experimental exporters with a passive stance, selling abroad on a sporadic, opportunistic basis. Transactions are often initiated by companies in other countries that are interested in the product and turn to this region to satisfy their demand, which is why many of the deals are negotiated ex-works, with the importer shouldering the expenses and costs (transport, insurance, loading, unloading, etc.) involved in shipping the goods.

The limited export tradition of the majority of companies in this sector is also reflected in the lack of geographical diversification in their foreign sales: 22.1% sell on only one foreign market and 40% do so in a maximum of four countries.

The main difficulties these companies have in exporting are bureaucratic procedures (41.6%) and technical barriers (36%). A lack of knowledge of the product is another reason given by 27% of the firms surveyed.

Most state that they compete by offering high quality (48.7%) while a similar proportion attempt to strike a good balance between quality and price (47%). This means that the sector is very aware that, on world markets, the product needs to be identified by a well-informed consumer with a medium-high income.

V. FINAL REFLECTIONS

Virgin olive oil producers and marketers have several reasons for aiming to increase their international sales. These include an extraordinary rise in crop volumes, stagnant consumption and falling prices on the home market, gradual dismantling of the mechanisms to protect production and consumption in the EU and the chance to seize opportunities that arise as a result of the good reputation of this product.

Currently, countries such as China, Japan, Brazil and Russia hold magnificent prospects for virgin olive oil exports, in contrast to the sluggishness of traditional markets such as Italy, the United States, Germany and France. Nevertheless, the challenge of operating in these new countries entails overcoming the limitations of a sector that is used to behaving passively in these markets, partly because of its predominance of micro and small companies with few resources to tackle internationalisation successfully. The risk is that an export

model dominated by intra-industrial demand could become consolidated (as on the home market), and examples of this type of approach are by no means lacking in recent times.

In contrast, the sector's capacity to ensure its viability and make the most of the rising consumption trend in countries that are not traditional buyers requires the region to develop competitive advantages (which are evident in some cases) through efficient use of local resources, joint action by business and government systems to encourage internationalisation, and taking advantage of the opportunities afforded by a globalised market.