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Background

According to the California olive industry, olives originated in the Mediterranean countries of southern Europe. Olives were brought to Mexico, and subsequently to California, in the 1700s. However, commercial production did not begin until the 1800s. The industry developed at that time to satisfy the rising demand for olive oil, and production began to flourish in the Central and northern valleys of California. Originally, California olive production was intended for oil. By the early 1900s, however, advances in canning technology promoted higher returns for canned olives, and producers changed to producing olives for canning.

Overview

Today, California remains the only U.S. state to commercially produce olives. Over 99 percent of production is canned as California-style black olives. Much of the olive oil consumed in the United States is imported. The USDA classifies the olive as a fruit, not as a vegetable or an oilseed.

Because of its historic predominance for canning, California production comes mainly from table olive varieties. The two main varieties of table olive trees in California are Manzanillo and Sevillano. Manzanillo olives are ideal for the black ripe market but can also be used for making oil. Given its low oil content, the Sevillano variety is used primarily in the table olive market. In 2007, 112 thousand tons of Manzanillo olives were produced and 14 thousand tons of Sevillano olives (NASS).

Value-Added Marketing for Olive Oil

Historically, the olive oil industry in California has existed mainly as a option for olive producers in years when production was especially large or when harvested olives were of poor quality. In recent years, U.S. demand for olive oil has increased dramatically, but much of the increase has been met by European processors. Despite this European dominance, the California industry has grown in recent years, but much of the growth has occurred in niche products, allowing U.S. producers to receive a premium sufficient to cover higher costs of production (Barrio and Carman). By 2007, over 400 olive oil companies existed in California.

Olive oil competes with other lower-priced vegetable oils such as canola, corn and safflower oils. Some U.S. producers believe that enforcement of grading standards as published by the International Olive Oil Council (IOOC) could help high-quality California producers compete with European imports. The California Olive Oil Council (COOC), founded in 1996, has established an Extra Virgin certification program that certifies oil that has been pressed from 100 percent California-grown olives and meets IOOC standards for chemical and sensory analyses.

Demand

Per person consumption of canned olives has been variable since 1970, ranging between 0.78 and 1.80 pounds. In 2006, per person consumption was 0.74 pounds of canned olives (ERS). Canned olives produced in the United States are often consumed on pizzas while most imported canned olives have been preserved and serve other uses. The continued popularity of Mediterranean cuisine also contributes to sustained consumption.

In contrast, demand for olive oil has increased significantly in recent years, largely in response to the increased publicity of associated health benefits for nonsaturated vegetable oils. Some of the promoted beneficial attributes of olive oil include being a source of antioxidants, vitamin E and monounsaturated fat, Food Industry MARKET MAKER NATIONAL PORTAL

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which helps to prevent cardiovascular disease.

Production
In California, olive oil production occurs primarily in the Sacramento Valley and in the North Coast. In the last ten years, olive oil growers have used Italian, Spanish and Greek varieties and high-density plantings to take advantage of mechanical harvesters for more efficient production.

Olive production has been highly variable over the years, largely due to the alternate-bearing nature of olive tree production. The 2007 crop totaled 132.5 thousand tons and was valued at $86.7 million. According to NASS statistics, in 2007, California accounted for 31,000 acres of olives in the United States. Total acreage has remained between 30,000 and 40,000 acres since 1980. In 2007 96 thousand tons of the olive crop were used for canning and just 12 thousand tons were crushed for olive oil.

Prices
U.S. grower prices for processed olives have varied over the years but have generally declined. Prices peaked in 1981 at $1,200 per ton and were $655 per ton in 2007. Weather and the strength of the dollar against the Euro are two factors that influence prices.

Exports
The quantity of olive oil exports in 2007 totaled 3,650 metric tons (MT), falling below the quantity of prepared olive exports, which reached 4,194 MT. However, the value of exported olive oil ($9.4 million) was higher than that of prepared olives ($8.1 million). The oil was primarily exported to Canada, Mexico and Hong Kong, while the olives were shipped mostly to Canada and Japan. (FAS)

Imports
The United States is a net importer of olive products. During 2007, the country purchased 266,512 MT of olive oil valued at $966.4 million and 153,757 MT of prepared olives valued at $421.2 million. U.S. olive oil imports came mainly from Italy (58%), followed by Spain (18%). Spain also accounted for nearly half of the prepared olive imports, followed by Argentina and Greece. (FAS)

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