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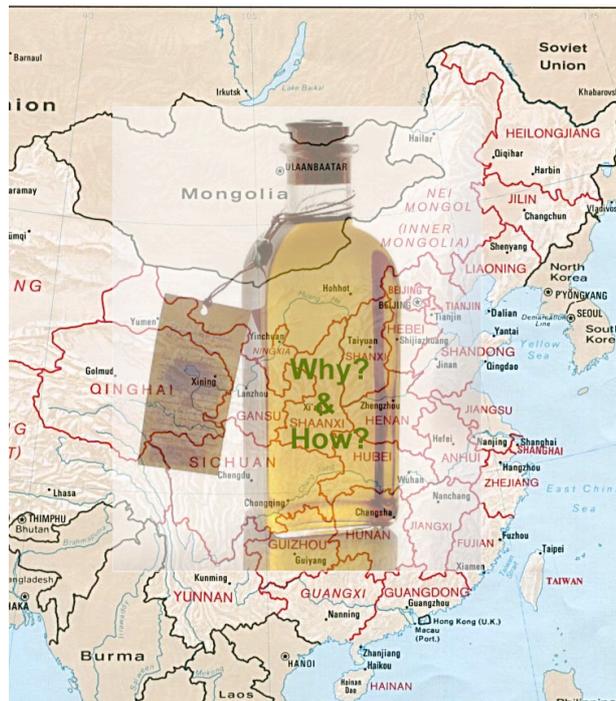
璞玉橄榄油商业项目

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Master Thesis, Luuk Soons

The olive oil market of Mainland China

The potentiality of the olive oil market on Mainland China and its accessibility for, in particular small-medium, sized olive oil producers.



A comparative market research report

A master thesis submitted to the East and Southeast Asian Studies Program in partial fulfilment of the requirements for the degree of Master of Arts in East and Southeast Asian Studies.

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Abstract.

The purpose of this research was to investigate the potentiality of the Chinese market for olive oil and to assess how accessible China is for in particular small & medium sized companies in order to take the initiative on the market. The research departs from the CAP subsidy reforming European olive oil sector with 2,5 million producers on their way to a less trade distorted and more export minded sector. It continues with the common generalisations about China as a potential export heaven with fruitful business opportunities and prospects for export companies. The practical questions remain: Firstly, if China is an interesting market for olive oil surpluses or not. Secondly, if the market is accessible or not for, in particular, the small-medium producer who are dominating the fragmented EU olive oil sector. By means of two SWOT analysis this research has shown that olive oil in China has limited but significant market potentiality with very good prospects. Nevertheless, in terms of accessibility, the research showed that the bulk of the medium- and small sized companies are not able to take the initiative to enter the market due to Chinese market entry threats and internal weaknesses. The solution this research suggested was to overcome the bulk of these market entry problems by the creation of an olive oil export association for the small-medium sized producers focused on exporting to China. The overall conclusion is that the key for success on the market is good cooperation with a *well-connected* regional-local importer and distributor.

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Foreword

People often asked me: ‘Why Olive Oil?’; and after a while hearing this question, I often asked myself: ‘why did I make it so hard for myself? I am not from the Mediterranean, I have not any olive oil product knowledge and no references’. At the same time I realised this also would be a good opportunity to take this challenge. As a Dutchman studying at Lund I would have access to information from not only Italian, but also Spanish and Greek companies. Can you imagine that a Spanish researcher would send a survey to an Italian company in order to gain information about the olive oil market in China? I must say, I was too optimistic about my own chances to get information, but my persistence as a *Dutch researcher related to the University of Lund* made some companies more lenient. After a correspondence of 1200 letters in my inbox and a 4000 kronor telephone bill on foreign calls; I obtained contacts and information that proved to be vital for my research about the olive oil market in China. Although my research was one of the first that gave olive oil export managers the opportunity to give their opinion about the olive oil market in China, the bulk never replied. Fortunately, there was a small core of people that showed interest in my project and had the motivation to help me to get some puzzle pieces.

That’s why I would like to thank the following export managers that took the time to fill in the survey of the Jade Olive Oil Project: Anna Callal (Ballester), Melanie Challier (Aceitex), Simone Tarabusi (Carapelli), Alfonso Fernandez (Anfora Quality Products). Also I would like to thank Kelly Martinez (Antonio Celentano) and Carlos Matillas (Borges) for their valuable comments during our e-mail correspondence. Furthermore I would like to thank Fernando Comenge Fuentes (the Spanish Economic and Commercial Office in Shanghai), Alberto Fernandez (Torres Wine Trade Company), Kadowei (OOT Shanghai Ltd) and Renato Chimmino (Coricelli) for their time to meet me in person.

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Finally I thank everybody who has showed interest in my project and tried to sell olive oil to me; in particular the Greek and Turkish companies.

The most amusing reaction I got about my project was from the States: *could you tell me more about olive oil from Jade?*

Luuk Soons

Piccione, Italy, 14th of December 2004



Section 1. Introduction to the research.

This section gives an introduction to the research and treats the research questions, methodology, demarcations, used generalisations and its limitations.

1.1. Introduction

The costly agricultural subsidy practice of the EU is in the perspective of the future agricultural WTO agreements unsustainable. In this prospect the European Commission decided to reform fundamentally the common market organisations (CMO) for olive oil in line with the reform of the common agricultural policy (CAP) decided by the European Council in June 2003. For the olive oil sector it is proposed to make an end of a significant part of the current production-linked payments. The reforms will lead to enhanced competitiveness, stronger market-orientation, improved environmental respect, less trade distortions and stabilised incomes¹. Furthermore, this significant cut in the production linked payments will have as a consequence that a major share of the support to agriculture is moved into the minimal or non-trade distorting category (Green Box) of the WTO². A major reason why the EU wants to fit with its CAP policy into the WTO's green box is because of the fact it wants to avoid that foreign trade partners take import countervailing measures to 'punish' EU subsidised agricultural products, like olive oil³.

In the light of this reform, the 2,5 million European olive oil producers have to realize that on long term their international and domestic competitive situation will be harder than ever before while on the same time the international trade in olive oil will be facilitated in the framework of the WTO. It will be vital to be well established internationally for selling surpluses at competitive prices specially in the light of the IOOC predictions for 2005: The world olive oil market will be imbalanced due to overproduction and with uncertainty about whether consumers can absorb the higher production volumes. The IOOC estimates that there will be a world surplus of about 213,000 tonnes, i.e. 10% of the world's projected mean consumption; it also considers that this surplus might be even larger as a result of the growing production potential of new plantings. This situation also intensifies domestic competition especially in relation with the pressure from far cheaper substitutes (seed oils, particularly sunflower) and the advent of new competitors from the producing sub-sector, particularly cooperatives (who have changed their traditional role of mere suppliers for packers, a

¹ The European Commission: *CAP reform continued: EU agrees on more competitive and trade-friendly tobacco, olive, cotton and hops regimes*; 22 - 4 - 2004, p4.

<http://europa.eu.int/comm/agriculture/capreform>

² The European Commission, *Implementation of CAP reform*, 2 - 4 - 2004, p3.

<http://europa.eu.int/comm/agriculture/capreform>

³ WTO, *Expiry Review by Argentina Concerning Measures Imposed on Imports of Olive Oil from The European Community*, WTO document nr. : (03-4718) & symbol: **G/SCM/107** 11 September 2003



situation that restricted them to the bulk market) who are trying to put their own products on the consumer market⁴.

In this situation finding new export markets is essential and of course the Chinese market with its seemingly infinite consumers is a major potential target market for food exporters. In the words of Franz Fischler, EU Commissioner for Agriculture, Rural Development and Fishery: *There is huge food trade potentials between China and EU, which needs to be further tapped*⁵. China's booming economy and the rising income levels of the citizens make olive oil exporters eager to tap into this imaginary export Walhalla. *All major olive oil brands from Southern Europe will come to China one day*⁶. Nevertheless, to assume naively that China will be a potential market for olive oil, only because of the fact income levels are increasing would be a costly mistake for exporters willing to invest in the market. Generalising is dangerous and has the risk of tapping into an air bubble. So, before we should start to assume that a market is potential only because incomes are rising and the economy is booming⁷; we should ask ourselves why the Chinese market is potential for olive oil, a new and unique food product in China. Furthermore, if this market for olive oil is potential we should ask ourselves to what extent it is accessible for, in particular, the bulk of the olive oil producers in Europe who are small-medium sized enterprises.

1.2. Main questions and purpose

To talk about China as potential market for agricultural goods only expresses the intention to export to this country, but it is in itself a not workable generalisation. Every food product needs to be evaluated in its on its specific potentiality in the market of Mainland China. In context of an evaluation of Mainland China as a new export market for olive oil producers we should first analyse its potentiality. Here we should ask ourselves if the developments in the current food sector and food service sector in China do indicate that the young olive oil market in China has really potentiality .

The olive oil sector in Europe is fragmented and consists of mainly small and medium sized producers of extra virgin olive oil⁸. In this respect a potentiality analysis would not be sufficient. As such it will be completed with an accessibility analysis for the bulk of the small and medium sized olive oil companies. In this respect we should ask ourselves what

⁴ Alfonso Vargas Sánchez, *Olive Oil Strategy for the next millennium*, University of Heulva, 1999; p4.

⁵ The People's Daily, http://english.peopledaily.com.cn/200403/30/eng20040330_138941.shtml

⁶ Carlos Matillas (Asia export manager Borges Ponts), *E-mail of 14 – 06 – 04*, Source book of the Jade Olive Oil Project, section 4.1 ; December 2004, p.

⁷ I found this invalid inference in a recently published report of Beijing Best Consultants, *Report on survey of imported food market in China*, November 2004. Confidential report of the Centro Estero of the Chamber of Commerce of Umbria-Perugia.

⁸ European Commission, *The Olive Oil Sector in the EU*, fact sheet of the Directorate General of Agriculture of the European Commission, June 2002; p.1.



market entry obstacles small and medium sized companies face in trying to get on the Chinese market and promote their extra virgin olive oil brand. This involves: 1. Analysing the acquired experience -obstacles and opportunities- of Spanish, Italian and Greek olive oil traders with China in terms of distribution, marketing and international business communication. 2. Clarifying and explaining the causes of the identified obstacles and the way they have been overcome or not, with the purpose of assessing the degree of openness, accessibility and complexity of the Chinese olive oil market.

The purpose is concretely to generate a better understanding of the Chinese market conditions favourable for olive oil consumption and theoretically to understand better to what extent this China business opportunity is really *tap-able* for small – medium sized olive oil producers. A relevant question in the light of the EU Cap reform for olive oil producers and their prospect of getting a harder competitive international and domestic trade environment.

1.3. Method and selection

This report contains one of the first comprehensive analysis of the potentiality and accessibility of the Chinese olive oil market. As a consequence I could not refer to other research reports on the olive oil market in Mainland China. For this reason I adopted in principle a non-experimental design with an inductive approach in order to form a hypothesis about the olive oil market potentiality and accessibility for the small – medium sized producers with extra virgin olive oil is the main objective.

1.3.1. Used methods for the data collection.

Because of the fact this olive oil market research concerning China is one of the first, I had to collect all of the primary and secondary data without the support on previous published public reports on this matter. The methods I used for the data collection were the following: 1. The creation and establishment of e-mail correspondence-discussion with olive oil producers. 2. Semi-structured surveys 3. Semi-structured interviews converted to written texts. 4. Internet research. 5. Setting up an internet site in order to promote my research and inform companies etc.: *the Jade Olive Oil Research Project* www.jade-oliveoil.com. The aim was collecting as much as possible first hand information of exporter managers, governmental trade officials and importers because they have the experience with working with the given market conditions. In context of this project I have send in total approximately 1000 e-mails to companies, olive oil and trade organisations and embassies.

For the project I made a selection of olive oil companies who have stable trade relations and companies who are interested in establishing stable trade relations with Greater



China. Because I did not have external funding and had to finance this research on my own, I could not travel to these companies for an interview. Instead I tried to build up an e-mail correspondence – internet discussion in order to retrieve information, because most export managers were not inclined to fill in a survey because of time pressure. Unfortunately many major companies trading steadily with China did not fill in the survey or were not interested in disclosing information. Nevertheless, I got useful information from particularly two giants: *Carapelli* (one of the most important Italian olive oil exporters) and *Borges* (one of the most important Spanish olive oil exporter). The most information I acquired is based on experiences of export managers of relative small – medium sized companies who only have had sporadic business contacts with Chinese businessmen and were interested in establishing more stable relations with China; in particular: *Antonio Celentano*, *Anfora Quality Products*, *Aceitex*, *Ballester*. In general, I tried to get in contact with all European olive oil companies with export ambitions. In Shanghai during my fieldwork I got useful information of the *Olive Oil Tree LTD* Shanghai, an olive oil importer in Shanghai. Furthermore a very important source of olive oil market information was in particular the Spanish Economic and Commercial Office in Shanghai. Nevertheless, the general problem I had to cope with during my data collection was that the information was very dispersed and that every source only provided limited information. Another issue what I had to take into account was: Every source of information or informant stands for a certain business interest. For example, an important Chinese source of information about the olive oil market in China were the reports of Jack Liu. He did research about marketing strategies for olive oil, in particular the Spanish brand *Hojiblanca*. Concerning this source I had to take into account that Jack Liu is operating as an agent for *Hojiblanca* and also owns his own olive oil trading company: *Coloursy Foods Ltd*. An additional problem was that I only could translate only two of his reports because of my limited financial resources.

Concerning statistics about the imported amount of olive oil in China; I was confronted with limited and conflicting data from different sources. Often it was not well indicated if the statistics took into account the different olive oil product qualifications. It is an important difference if you include or omit or differentiate the annual *pomace* olive oil import figures in relation to the annual import figures of *olive oil* and *extra virgin olive oil*.

Thus, in general my financial limited resources of my project have undermined the most efficient – direct way in obtaining primary data: interviews of export managers across Southern Europe. The alternative of setting up e-mail worked very well and I acquired a lot of information, but had as a consequence that a lot of important companies (*Carbonell*, *Basso*, *Contel*, *Filipo Berio*) did not keep their promise to fill in the survey. This is a pity because it would have made my first – hand primary data more complete.



For the market potentiality analysis I made extended use of secondary data, especially food sector market reports on China mainly published by the *United States Department of Agriculture*⁹ and *Canadian Agri-Food Trade Service*¹⁰.

1.3.2. Used method for the data analysis.

This report is a qualitative comparative market research. The analytical tool for interpreting the data of this qualitative comparative market research is the so called SWOT analysis. The SWOT analysis used in this report is based on the model of prof. T. Duncan, director of the IMC graduate program at the University of Denver's Daniels College of Business. A SWOT analysis is *a structured evaluation of internal Strengths, Weaknesses, Opportunities and Threats that can help or hurt a product on the market*¹¹. Opportunities are market conditions that are favorable for the prospect and potentiality of the olive oil market. Threats are marketplace conditions that are unfavorable for the prospect and potentiality of the olive oil market in China. Strengths are the olive oil competitive advantages and Weaknesses are its competitive disadvantages.

An important focus of the SWOT analysis for the olive oil market potentiality of Mainland China is the changing consuming preferences of the Chinese middle class and its adaptability to new tastes. Therefore there will be a lot of references to current developments in the food and food service sector that reflect the changing consumer food spending behavior, the consumers' attitudes about the traditional Chinese gastronomy with its use of vegetable oils and their adaptability concerning new introduced, imported tastes. Furthermore, I will make references to the more developed olive oil markets in Hong Kong and Taiwan. In this aspect the analysis has an experimental design.

An important focus of the SWOT analysis for Mainland China's market accessibility in relation to the conclusions of the SWOT analysis for China's market potentiality is the small-medium sized extra virgin olive oil producer's export ability to overcome Mainland China's market entry obstacles.

1.3.3. Used generalisations, demarcations and limitations of the research .

China is not one market. China is an enormous country with a lot of different regional markets with each its own different market conditions and potentiality for each particular(food) product. In general there is a tendency in market reports to use the term <<China>> in a generalising way although the sources were mainly based on observations and research conducted in Beijing or Shanghai. In this research I use the term << the olive oil

⁹ Foreign Agricultural Service of the USDA: <http://www.fas.usda.gov/>

¹⁰ Canadian Agri-Trade Service: <http://atn-riae.agr.ca/>

¹¹ Tom Duncan, *Principles of advertising & IMC, McGraw-Hill Irwin*, second edition 2002; p. 174.



market in Mainland China>> in order to exclude the more developed olive oil markets of Taiwan and Hong Kong. Unfortunately this terminology again involves a generalisation of market trends and developments that occur in Beijing and particular the booming coastal regions of Shanghai and Guangzhou. Specific Chinese sources and information, like conducted surveys, of this research report had their origin in Beijing or Shanghai. These two regional markets are like models for the rest of developing Mainland China. In this respect, the conclusions of this report have no specific validity if it concerns other Chinese regions and they should be considered as generalisations or hypothesis. These justified generalisations for the booming coastal towns of Mainland China need to be tested in the unique context of other regional markets with their own taste preferences and potentiality.

Section 2. Mainland China's olive oil market potentiality and prospect

In this section I assess by means of a Swot analysis Mainland China's olive oil market potentiality and prospect with reference to developments in other markets and economic sectors, consumer behaviour and gastronomy.

2.1. Introduction to China's actual olive oil market situation

A decade ago there was almost no import of olive oil into Mainland China. At the moment, though the market of olive oil in China is still <<in an embryo stage¹²>>, it is nevertheless developing vigorously and the demand is increasing rapidly in recent years. In the year of 2003, the average import volume has increased with 46 % over the previous year 2002. Especially the import volume of extra virgin olive oil has increased with 141 % over 2002¹³. *Carapelli*, *Contel* and *Borges* all indicated that exports in recent years started to take off and were positive about the market prospects¹⁴.

The positive figures make olive oil exporters eager to try to enter the market and launch their own brand on the market¹⁵. Currently multinationals with major Italian brands as *Bertolli*, *Carapelli*, *Colavita*, *Filippo Berio* and *De Cecco* are dominating the market.

¹² Jack Liu, *Marketing case focused on blitzing victory of occupying Beijing market by Hispanic white leaf olive oil*, Report 7 published 24 – 6 – 04 translated by R. Miao, September 2004; p.1. <http://www.emkt.com.cn/> or Source Book Jade Olive Oil Project, section 5.1. Report 7.

¹³ Jack Liu, *Market research and competitive strategy for olive oil*, Report 1 published 24 – 6 – 04 translated by R. Miao, September 2004, p.1.; <http://www.emkt.com.cn/> or Source Book Jade Olive Oil Project, section 5.2. Report 1.

¹⁴ C. Matillas & G. Gonzalez (Borges), email correspondence, Source book of the Jade Olive Oil Project Section 4.1./4.2. & Telephone conversation with F.Conte, export manager of Contel, Source book of the Jade Olive Oil Project section 3.1. & Survey Simone Tarabusi export manager of Carapelli, Source book of the Jade Olive Oil Project Section 2.1.

¹⁵ In this section olive oil companies who are exporting olive oil in bulk are not mentioned because they do not launch their own brands on the market, but in contrary often provide other companies with olive oil for the launching of an other brand.

Followed by Spanish brands as *Borges*, *Hojiblanca*, *Montabes*, and Hellenic brands as *Minerva*. Finally, Taiwanese brands as *Fortune*. International competition will increase as more brands will try to profile themselves on the market¹⁶.

Most of the olive oil is distributed to western style hotels and restaurants. In the retail sector olive oil is mainly sold in foreign retail chains or domestic supermarkets who have helped the penetration of imported products in the most expensive and trendy shopping areas of urban areas¹⁷. In the Chinese retail chains olive oil is not sold. The labels on the olive oil bottles were mainly in English which already was an indication of the fact that the main consumers of olive oil are western expatriates, western educated Chinese from the middle class and upper middle class and generally upper middle class and wealthy health concerned Chinese who learned about the beneficial qualities of olive oil on human health¹⁸.

These indications are hopeful signs of a developing market, but exporters should not too easily and wrongly consider China as an export Walhalla for olive oil. In order to understand the full potentiality and the prospect of the olive oil market in China we should more closely look at the Chinese consumer and the economic sectors that play a role in adapting and influencing their behavior and preferences.

2.2. Threats and opportunities with regard to the Chinese gastronomy and the edible and vegetable oil sector

The Chinese gastronomy and its use of vegetable oils poses a potential threat for the development of the olive oil market in China. Although, it is very dangerous to assume anything about China's gastronomy and the Chinese taste preferences¹⁹ we can say that in general, Chinese consumers favour Asian products and most consumers express strong preference for Chinese food—and local cuisine in particular²⁰. Gastronomy is the most difficult thing to change and although the Chinese are willing to experiment, they are

¹⁶ Jack Liu, *Market research and competitive strategy for olive oil*, Report 1 published 24 – 6 – 04 translated by R. Miao, September 2004; p.2 <http://www.emkt.com.cn/> or Source Book Jade Olive Oil Project, section 5.2. Report 1. & Appendix 1. The international competition on Mainland China's olive oil market.

¹⁷ Simone Tarabusi, Export manager of Carapelli, *filled in survey by S. Tarabusi*, Source Book Jade Olive Oil Project, section 2.1.

¹⁸ Luuk Soons, *Interview with Fernando Comenge Fuentes*, Chief market analyst and head of agrifood department, Economic & Commercial Office Shanghai, 19-8-2004, Source Book of the Jade Olive Project, section 1.1. & Luuk Soons, *observations Field Work Shanghai*, Field Work Report of the Jade Olive Oil Project

¹⁹ Ralph Bean, *Mainland China Exporter Guide 2004*, GAIN Report CH4824, Foreign Agricultural Service 10/8/2004 <http://www.fas.usda.gov/gainfiles/200410/146117788.pdf> p.6. or Source Book of the Jade Olive Oil Project, section 5.3.

²⁰ N. Aden & P. Moustakerski, *The People's Republic of China's annual Export Guide 2002*. GAIN-Report 2002 CH830; Foreign Agricultural Service of the USDA, p.4. www.fas.usda.gov. or Source Book of the Jade Olive Oil Project, section 5.4.



nevertheless less open for incorporating foreign tastes into their daily food preparation ²¹. Chinese regional typical dishes in the daily kitchen are prepared with vegetable oils. In the Chinese northern provinces there is a general preference for using soy oil. In the Central and western regions there is a preference for using coal seed oil and in the Southern provinces, peanut oil. Olive oil traditionally has no connection with the traditional regional cuisines.

The reason why olive oil has no connection with the Chinese kitchen is the fact that before 1967 there were no olive oil vineyards in China and the product was and is still relative unknown for the average Chinese. Only Macao is an interesting exception due to the fact that the regional kitchen here has been strongly influenced by the Portuguese kitchen²².

In this respect we should not forget the interesting fact that the Chinese traditionally used mainly animal fats and lard in their daily kitchen. It was only due to the rapid economic growth in the past 20 years that an exceptionally strong increase in edible oil consumption in China occurred²³.

In the year 2004 the total domestic consumption of edible oils is forecast at 18.23 million metric tonnes, which is 5.4 percent more than in 2003. This amounts to 14.24 kg per person based on China's projected population in 2004. This is 39 percent less than Taiwan's 2001 per capita consumption of 23.27 kg. So, even though China's oil consumption has grown rapidly in recent years, there still is significant growth potential before it reaches the level of that in Taiwan and other similar Asian markets. With a 9.1 percent increase in GDP in 2002 and a growing middle class with more disposable income makes the long-term outlook for the edible oils market very bright²⁴.

In the edible oils market olive oil is relatively unknown newcomer in China. As a new comer it has as a major weakness that it is between 8 –10 times more expensive than ordinary local produced vegetable oils. This is in fact a major obstacle for the Chinese consumers starting to use olive oil in the kitchen and for olive oil importers to invest in the market. Many importers are initially interested in starting to import extra virgin olive oil and olive oil but are in generally scared away by the prices and as such mainly interested in pomace olive oil or low quality pure olive oil, the cheapest alternatives available on the market ²⁵.

²¹ R. Bean, *China Annual Export Guide 200,3* Gain Report CH 3823. Foreign Agricultural Service of the USDA <http://www.fas.usda.gov/gainfiles/200310/145986381.pdf> p.5. or Source Book of the Jade Olive Oil Project, section 5.5.

²² Alberto Fernandez, *Meeting with Alberto Fernandez*, General manager of Torres Wine Trading Ltd, Source book of the Jade Olive Oil Project Section 1.2.

²³ The Canadian Embassy Beijing in consultation with BeSeen Consulting Ltd, *China's vegetable industry*. Canadian Agri-food trade service report March, 2002, p.3. <http://atn-riae.agr.ca/asia/e3282.htm> or Source book of the Jade olive oil Project section 5.5.

²⁴ Wu Xiping, China's oil seeds and products, GAIN Report CH 4010, Foreign Agricultural Service USDA, 3-1-2004, p. 4. www.fas.usda.gov or Sourcebook of the Jade Olive Oil Project, Section 5.6.

²⁵ Kelly Martinez, Email correspondence with K.Martinez, export manager of Antonio Celentano; Source book of the Jade Olive Oil Project section 4.3.



In this respect it is not a surprise that the actual use of vegetable oils to the portion of Chinese olive oil consumption is not significant. In 2002 China imported 650 metric tonnes of olive oil, this sum almost completely disappears in the total consumption of 18.23MMT. The olive oil consumption represents only 0,04% of the total consumption of vegetable oils.

Although olive oil is relatively expensive, comparing to the vegetable oils market situation in Taiwan, at the time that the olive oil market was developing rapidly in 1998, we see the following opportunity. In 1998 the Taiwanese olive oil consumption had a 1 % market share of the total edible oils market. On the premise that the income levels keep on rising in China, there is still a lot of space on short term perspective for the an increasing olive oil demand. Olive oil imports on Mainland China could theoretically expand with to 180.000 MT in reference to the Taiwanese development trend of the total vegetable oils consumption and the increasing olive oil consumption on Mainland China towards an accumulating market share of 1 % . The most important Spanish importer *Borges* started with the Taiwanese market without any demand for olive oil. Now is *Borges* the market leader in Taiwan²⁶. Industry sources indicate that olive oil, in 2000 already accounting for 5% of the total Taiwanese edible oil market, and till has good prospects for growth²⁷. In the year 2002 Taiwan imported almost 10 times as much olive oil as Mainland China: 6500MT²⁸.

If we look at the development trends in the more matured markets for olive oil consumption in Hong Kong and Japan the same indications are present: because of the growing consumer awareness of the qualities of olive oil by means of promotion campaigns the markets in Japan²⁹ and Hong Kong started to boom and took a 1-2% share of the total oils consumption in the respective countries³⁰. Hong Kong represents a market with a higher consumption of olive oil per capita than Germany, and is as a market comparable in importance as the Netherlands. As in Taiwan, there are still positive growth perspectives for the olive oil market before reaching the market saturation point³¹. In this context Mainland China is still far behind the annual olive oil imports and consumption of Taiwan and Hong Kong. In the year 2002 Hong Kong with only 5 million residents imported 2576MT.

²⁶ Carlos Matillas, Correspondence with Carlos Matillas, Export Manager of Borges; Source book of the Jade Olive Oil Project, section 4.1.

²⁷ Amy Hsueh, *Taiwan promotion opportunities 2000*, GAIN Report TW0005; Foreign Agricultural Service USDA www.fas.usda.gov p.6. or Sourcebook of the Jade Olive Oil Project, section 5.7

²⁸ Chiou-Mey Perng, *Taiwan Oilseeds and Products annual*, GAIN Report TW4001, Foreign Agricultural Service USDA, 12/30/2003 www.fas.usda.gov p.12 or Source book of the Jade Olive Oil Project section 5.8.

²⁹ ICEX Report: Estudios de Mercado *El aceite de oliva en el mercado Japonés*; Marzo 2002 Oficina Economica y Comercial de la Embajada de Espana en Japon ; p4. – Source book of the Jade Olive Oil Project section 5.9.

³⁰ ICEX Report: Estudios de Mercado *HONG KONG: MERCADO DEL ACEITE DE OLIVA Y DE LAS ACEITUNAS*; December 2002 Oficina Economica y Comercial de la Embajada de Espana en Hong Kong p.50 – Source book Jade Olive Oil Project, Section 5.10.

³¹ Ibid. 30, p.5, 7, 40.



Mainland China only imported maximum 650MT³² with at least over 100 million consumers in the coastal cities of China with annual incomes of USD\$10,000 - \$40,000³³.

Furthermore, an opportunity we shouldn't forget is that the locally produced cheap vegetable oils do not have a high reputation with consequently a general preference for imported vegetable oils. The price differences between olive oils and imported vegetable oils varies substantially and are in general not extreme. To give a concrete example: In the *City Supermarket* located in the Shanghai Centre Complex you can buy 1 litre *Filippo Berio* 'extra virgin' olive oil for 78 Yuan, while 1 litre *Crisco* (Australian brand) soy bean oil costs 56 Yuan³⁴.

Also a difference with the past is that due to the influence of SARS in 2003, people became much more aware about their health. This resulted in a consumer preference for healthy food products. In context of the fierce competition on the edible oils market in China the old custom of using low and middle class cooking oil is loosing ground. Various edible oils brands started to introduce the concepts of nutrition and health in marketing their vegetable oil brand or started to market new alternatives. This has increased people's demand for some special cooking oils, such as walnut oil, sunflower seed oil, grape seed and canola oil. This indicates that the edible oils market is becoming more segmented and developing towards superior brands; and the types and categories of vegetable oils are growing fast. Thus, the consumer has adapted these concepts and the consumption of edible oils has now a diversified, high class and healthy look³⁵. A concrete example: The major vegetable oil brand *Fu Lin Men* developed its soybean oil by adding vitamin A as the best oil for vision improvement³⁶.

This trend of an expanding, diversifying and more segmented edible oil market is very beneficial to the introduction and the promotion of olive oil on the Chinese market. Nevertheless at the same time we should not forget that fact vegetable oil producers that have started to profile their brands as healthy and trendy. This is a market threat for the promotion and marketing of olive oil. Without significant olive oil promotion and education campaigns this threat could bleak the overall market prospect for olive oil. Olive oil has to be

³² Imports figures vary according to the source: Agricultural Trade Statistics of the FAO www.faostat.fao.org 650MT total olive oil imports 2002; according to Mr. A. Comenge of the Spanish Economic and Commercial office in Shanghai the imports in 2002 were aprx 500MT.

³³ The Canadian Consulate General, Shanghai, *Health foods report: Shanghai and the Yangzi Delta Region*, Canadian Agri-food trade service report: September 2000 <http://atn-riac.agr.ca/asia/e3371.htm> p.3.or Source book of the Jade Olive Oil Project section 5.11.

³⁴ Inspection City Supermarket Shanghai Centre Complex, Source book of the Jade Olive Oil Project, section 6.1.

³⁵ Jack Liu, *Marketing case focused on blitzing victory of occupying Beijing market by hispanic white leaf olive oil*, Report 7 published 24 – 6 – 04 translated by R. Miao, September 2004; p.1. source: <http://www.emkt.com.cn/> Source book, section 5.1.

³⁶ Alberta China Office, *Introducing Canola oil to the Chinese market*, China Agricultural News Letter, April 2004.

marketed as different, healthier, pure and stylish oil. In respect to the vegetable oils, olive oil has the market strength that it is not made by means of industrial refining procedures including the help of chemicals to extract the oils. 100 % extra virgin olive oil is a pure 100 % natural cooking oil without the help of any chemical additives or residues in order to extract the oil. Furthermore, the oleic molecules of olive oil are more resistant to heat and do not break down in health undermining components as vegetable oils do when exposed to high temperatures³⁷. These scientific facts are important when promoting olive oil as a healthy oil because Chinese consumers are more inclined to buy unprocessed health products than value added products³⁸ (like for example the soy-oil with added vitamin A). This represents a great market opportunity.

These indications in the edible oils market do represent market opportunities with a positive potential prospect for olive oil consumption. We have to be careful though, it is wrong to assume that only because Chinese are very health conscious and prefer to buy high quality imported healthy edible oils, they will start to use a mass olive oil in their kitchen instead of soy or peanut oil. Putting the example on the opposite, it is like, if soy sauce is proven to be very healthy, Asian soy sauce producers pretend that all the people in the Mediterranean are going to dress up their food with soy. It is far more realistic to assume that gradually and on sporadic basis the Chinese will use olive oil in some Mediterranean dishes and Chinese food they fry at home. In fact, this is already happening in Taiwan and Singapore³⁹. In this respect advertising and educational programs should be concentrated to promote the use of olive oil on traditional Chinese food, not so much on Mediterranean dishes. *Aceites Borges* and the Spanish Economic and Commercial Office in Shanghai and Beijing have already undertaken this kind of educational promotion campaigns. Furthermore they have published a cookbook with help of a famous Singapore chef cook that shows how to prepare certain Chinese dishes in olive oil instead of ordinary vegetable oils⁴⁰. Chinese food prepared in a wok with extra mild olive oil will leave almost no olive oil taste on the final dish⁴¹. According to Assoliva, the taste characteristics of olive oil are not decisive,

³⁷ Olive oil, made up predominantly of monounsaturated oleic acid, is so much more heat-stable than the highly polyunsaturated seed oils. Olive oil can, for example, be re-used substantially more often in frying than other seed oils (including canola, which has about three times the amount of polyunsaturation than olive oil). Aberystwyth, Wales, A discussion of the chemical properties of olive oil, *JAACS* 75, 673681 (1998) p.1..

³⁸ The Canadian Consulate General, Shanghai, *Health foods report: Shanghai and the Yangzi Delta Region*, Canadian Agri-food trade service report: September 2000 <http://atn-riac.agr.ca/asia/e3371.htm> p.3 or Source book, section 5.11.

³⁹ Carlos Matillas, Email of 16-6-2004, correspondence with Carlos Matillas, export manager of Borges, Source book of the Jade Olive Oil Project, section 4.1.

⁴⁰ Alfonso Fernandez, meeting with Alberto Fernandez, General manager of Torres Shanghai, source book of the Jade Olive Oil Project, section 1.2.

⁴¹ *Ibid.* 39.



particularly the Chinese do start to consume olive oil only because of health considerations regardless the taste⁴².

Although this could be a promising opportunity for the promotion of olive oil consumption on China, the question remains if the Chinese are adaptable for making this kind of changes in their gastronomy. As such, we should take a closer look at the current opportunities we can identify in the present Chinese adaptability in their food consumption behaviour and preferences.

2.3. Market opportunities related to the rise of an adaptable Chinese imported food consumption culture.

Another important trend is the following: While Chinese tend to be savers and to make purchasing decisions carefully, rising levels of disposable income are fostering an increasingly conspicuous consumer culture⁴³. Total consumer expenditures increased by 7.9% in 2003, significantly faster than in 2002. This despite the impact of SARS, which kept consumers out of crowded shopping venues for several months. Long-term consumption is expected to grow⁴⁴. In this trend the total value of the Chinese food market has continued to grow at a rapid pace. Combined wholesale and retail (excluding tobacco and liquor) and catering sales, amounted to \$119 billion in 2003, according to official statistics. In a nation where food is a national obsession, it is not surprising that the food sector is dominated by catering. Catering (including restaurants) accounted for roughly 64% of the combined total⁴⁵. Food purchases represent the largest expenditure of consumer spending. Urban households currently spend 39% of their annual living expenditure on food purchases⁴⁶. Of this per cent, close to 10% is spent on dining out⁴⁷. In this trend we should focus more on the Chinese adaptability to new food products and tastes.

Consumer tastes in China vary considerably from region to region, and are constantly evolving under the influence of Asian and Western tastes filtering into Chinese society through commerce and cultural exchanges. To overestimate the market potentiality entails the risk of making a costly mistake, but to overestimate the Chinese preference for their own

⁴² Assoliva, the greatest Spanish Export Association, *Correspondence with Assoliva*, letter of 23.06.04., Jade Olive Oil Source Book, Section 4.5.

⁴³ N. Aden & P. Moustakerski, *The People's Republic of China's annual Export Guide 2002*. GAIN-Report 2002 CH830; Foreign Agricultural Service of the USDA, www.fas.usda.gov P4. Source Book of the Jade Olive Oil Project, section 5.4

⁴⁴ . Ralph Bean, *Mainland China Exporter Guide 2004*, GAIN Report CH4824, Foreign Agricultural Service USDA 10/8/2004 <http://www.fas.usda.gov/gainfiles/200410/146117788.pdf> p.4. or Source Book of the Jade Olive Oil Project, section 5.3.

⁴⁵ Ibid 44. p.4

⁴⁶ Canadian Consulate General, Food distribution in the Yanze Delta. Canadian Agri-food trade service report; July 2003, p.4. http://atn-riac.agr.ca/asia/3630_e.htm or Source book of the Jade Olive Oil Project section 5.12.

⁴⁷ Ibid. 46. p.5.



culinary tradition and presumptuously rule out any adaptations in their eating habits is an other mistake. Although the Chinese seem not to be very easily inclined to integrate new food products in their culinary tradition, we should take into account that the Chinese consumers have, in fact, already proven to be open-minded and willing to experiment with new tastes and products, including many Western ones. Many popular myths of the past, such as the Chinese assumed aversion to (the Western tastes of) coffee or chocolate, have long been disproved. Today, Chinese consumers are being bombarded with all kinds of products, flavours, marketing concepts and advertisements, and they are constantly adapting and modernizing their tastes and preferences⁴⁸. Nevertheless, consumer preferences vary largely from product to product, and there are few fixed rules or trends⁴⁹. Consumers in the coastal cities are extremely (foreign) brand conscious, viewing famous brands as both status symbols and guarantees of quality. Food and agricultural importers stand to benefit from greater health-consciousness and awareness of food safety. Here consumers are more willing to make the trade off between price and quality than is typical through most of China: they are willing to pay a premium price for imported foods viewed as healthy, higher quality, safer, trendy and as such worth the money⁵⁰.

Two clear examples that illustrate the Chinese adaptability to new ‘strange’ tastes are the following: The current developments in the more developed dairy and wine market.

Historically, dairy products have not played a significant role in Chinese culture or cuisine. Lactose intolerance, no historical precedent of use, and an undeveloped dairy industry combined together to restrict market growth. Today, the demand for dairy products has changed radically. Although dairy products are relatively expensive, during 2003 and beyond, there is a booming consumer demand for dairy products, particularly fluid milk, which is outstripping domestic supplies and driving-up imports. Imports of dairy products this year are forecast to exceed \$400 million, an increase of 50 percent over the previous year⁵¹. Demand has been influenced by consumer education that changed their perception of dairy products. The Chinese government has embarked on a consumer education campaign to

⁴⁸ This is something we clearly noticed if we see China’s import list of high-end consumer food products: Ralph Bean, *High value Ag products: what is China really importing?*, Gain Report Ch 4807, Foreign Agricultural Trade Service USDA, 4 – 21 – 2004; p.6. www.fas.usda.gov. or Source book Jade Olive Oil Project, section 5.13.

⁴⁹ N. Aden, *The People’s Republic of China’s annual Export Guide 2002*. GAIN-Report 2002 CH830; Foreign Agricultural Service of the USDA; p.5. www.fas.usda.gov Source Book of the Jade Olive Oil Project, section 5.4.

⁵⁰ Canadian Consulate General, *Food distribution in the Yanze Delta*. Canadian Agri-food trade service report; July 2003; p.5. http://atn-riac.agr.ca/asia/3630_e.htm or Source book of the Jade Olive Oil Project section 5.12.

⁵¹ Z. Jianping *China Dairy and Products Annual 2003* Gain Report CH 3127, Foreign Agricultural Service USDA www.fas.usda.gov p.1,6. or Source book Jade Olive Oil Project, Section 5.14



promote the health benefits of dairy products and to diversify the Chinese diet with consequently a sky-rocketing demand for dairy products⁵².

It is interesting to take a look at the Chinese wine market because the olive oil and wine culture have similarities in terms of price-market regulation, alternating crops and harvest years, with a wide range of different olive oil qualities, tree varieties and different tastes depending on the tree variety, soil, climate, method, pressing etc. Even though, the Chinese consumers traditionally were loyal to alcohol products such as beer or grain-based spirits, wine consumption has increased 62% from 1994 to 2000. According to the results of a survey conducted by WineMart in 2003⁵³, wine buying and consumption are becoming more popular in China's major cities. The consumption, especially imported wine, is nevertheless virtually nonexistent outside of major cities⁵⁴. The urban consumer class, which is estimated to exceed the total population of the United States, should develop as wealth increases into a substantial market for both imported and domestic wine. Beijing and Shanghai are generally considered to have the largest markets for western foods and most major hotels and restaurants feature wine quite prominently. Red wine is fashionable at lounges, night clubs, discos and some upscale Chinese restaurants and banquets. Wine consumers tend to have high incomes and could be classified economically as middle class. In addition, these individuals in general felt the health benefits of their drinks were more important rather than the taste. It will take time for a wine culture to develop in a country that is truly unexplored in terms of wine appreciation. Consumer awareness of wine is not significant and in combination with the high prices of imported wine, consumers buy mostly domestic brands⁵⁵.

2.4. The Market opportunity related to the westernisation trend of eating habits.

This market opportunity of increasing adaptability and flexibility of the Chinese middle class consumer to new imported food and tastes, fits in the general trend of the 'westernisation' of eating and dining habits. For many Chinese it is considered as very trendy and exclusive to have a dinner at Pizza Hut or an other western style restaurant. French bakeries, coffee shops and restaurants are already opened in Shanghai and Beijing. Western-style restaurants have increased rapidly in both numbers and quality, and Shanghai now boasts the only Michelin-rated restaurant in mainland China. Growth in western food has been so rapid that the city is now facing a shortage of trained western chefs, with the Shanghai Cooking Association and

⁵² Canadian Consulate General Shanghai, *Dairy market in the Yangze Delta*, Canadian Agri-food trade service report. May 2003, p.2. http://atn-riac.agr.ca/asia_pw/e2852.htm or Source book, Section 5.15.

⁵³ John D. Rutledge, Results of a Recent Wine Survey 2002, GAIN Report CH 2625, Foreign Agricultural Service USDA, 7-12-2002, p.2. www.fas.usda.gov. or Source book section 5.16.

⁵⁴ Canadian Embassy Beijing, *The wine market in China*. Canadian Agri-food trade service report; May 2003; p.1. <http://atn-riac.agr.ca/asia/e3263.htm> or Source book section 5.17.

⁵⁵ Ibid. 53. p.2.



the Shanghai Bureau of Labour now working to train western chefs locally to meet the demand. There are over 1,000 western-style restaurants registered in Shanghai. These restaurants make the most tempting target for food products exporters⁵⁶. More important, while Chinese and expatriate diners generally have distinct preferences, in Shanghai more than anywhere else in China, the two groups are merging into a single high-end clientele. This group is interested in novelty, and foreign restaurants and fusion restaurants are more common than elsewhere⁵⁷. Especially, the Italian kitchen is very appreciated by the Chinese because of the similarities in food items. Moreover, the Chinese consider everything from Italy as fashionable, enjoyable etc. As a consequence, Italian restaurants are mushrooming. Shanghai counts 28 Italian restaurants⁵⁸, Beijing 19 Italian restaurants⁵⁹, Guangzhou 7 Italian restaurants⁶⁰ and finally the more mature market of Hong Kong counts 94 Italian restaurants⁶¹. Here should be mentioned that it is wrong to assume that only because of that Italian style restaurants are mushrooming in the major cities in China, the olive oil demand will increase automatically significantly. A market weakness for the high quality extra virgin olive oil is the following: For the moment Italian restaurants are mostly using cheap vegetable oils or only the low quality pomace olive oil. Olive oil and extra virgin olive oil are in this respect only interesting for the high-end restaurants⁶².

2.5. The market opportunity related to tourism and cultural exchanges.

Another opportunity in the near future is the potential tourist sector in China. Chinese tourism to Europe is a major sector that will boom in the near future. On the 12th of February 2004, the European Community and the China National Tourism Administration signed a landmark accord that will facilitate Chinese group tourism to Europe. Chinese tourists going through selected travel agencies will benefit from simplified and facilitated procedures to apply for tourist visas from the Member States of the European Union which have been granted "Approved Destination Status"(ADS) by China. EU External Affairs Commissioner Chris Patten said: *"This agreement is good news for China and for Europe. I look forward to seeing more Chinese tourists here, and I hope many will take up the new opportunity to travel. Human contacts really do make a difference, and I believe this new agreement will*

⁵⁶ R. Bean, *Shanghai goes out on the Town*, GAIN Report CH4808, Foreign Agricultural Service USDA, 5 –20-2004; p.3. www.fas.usda.gov or Source book, section 5.18

⁵⁷ Ibid. 56. p.4.

⁵⁸ That's Shanghai, Restaurant Directory, <http://www.thatsmagazines.com>

⁵⁹ That's Beijing, Restaurant Directory, <http://www.thatsmagazines.com>

⁶⁰ That's Guangzhou, Restaurant Directory, <http://www.thatsmagazines.com>

⁶¹ ICEX Report: Estudios de Mercado *HONG KONG: MERCADO DEL ACEITE DE OLIVA Y DE LAS ACEITUNAS*; December 2002 Oficina Economica y Comercial de la Embajada de Espana en Hong Kong p.49 or Source book, section 5.10.

⁶² Kadawei, meetings with Kadawei, general manager of the Olive Tree Ltd. Source book, section 1.3. & C.Matillas, Correspondence with C. Matillas, Source book , Section 4.1. Letter of 14.06.04



help Europe and China to understand each other better, as well as bringing new commercial opportunities⁶³. In the Mediterranean tourist destinations Chinese tourists will get more acquainted with the Mediterranean food culture with its extensive use of olive oil. From the other side, China will also attract more western tourists, especially in the light of the Olympic Games in Beijing in 2008, and the World Exhibition in Shanghai in 2010. Increasing western tourism to China also affects the demand of olive oil particularly in Hotels.

2.6. Other positive Beijing olive oil market opportunities.

A positive indication for the prospect of olive oil in Beijing is a recently published survey⁶⁴ showed that without substantial media promotion campaigns for olive oil, the average Chinese female supermarket shopper in the more trendy shopping areas in Beijing was quite knowledgeable about olive oil and its beneficial qualities to human health. Of the 525 people, mainly Chinese women who bought edible oil, were asked to fill in a survey only one person did not know that olive oil was good to human health. They knew that olive oil helps to prevent cerebral and cardiac diseases, reduce cholesterol level in the blood, postpone aging, nourish skin, and prevent cancers, etc. Furthermore, almost 300 of the customers knew that olive oil was used to cook and fry food in. The survey also showed that price is the essential reason that keeps middle class consumers from buying olive oil. For the olive oil consumer, good quality and brand reputation are of most importance. Usually a good quality is considered to relate closely to a notable brand, in that the latter reflects the former. These results suggests that with rising living standards and increasing health awareness, demand for quality health products, like extra virgin olive oil will increase⁶⁵. According to the same researcher his investigation in Beijing supermarkets showed that despite the scattered distribution of customers ages, the main gender is female. Therefore the main target consumers in Beijing for olive oil should be women between 25 and 60. *Women at this stage of age has more power in purchasing plan for daily consumption of a family, who have more time than others to participate in community activities and tend to share the experience by word, which can help promote [Hojiblanca] olive oil much more effectively⁶⁶.*

⁶³ European Union signs landmark tourism accord with China today in Beijing IP/04/196 - Brussels, 12 February 2004

⁶⁴ Jack Liu, *Market research and competitive strategy for olive oil*, Report 1 published 24 – 6 – 04 translated by R. Miao, September 2004; p.6. source: <http://www.emkt.com.cn/> Or Source Book Jade Olive Oil Project, section 5.2. Report 1.

⁶⁵ The Canadian Consulate General, Shanghai, *Health foods report: Shanghai and the Yangzi Delta Region*, Canadian Agri-food trade service report: September 2000; p.2. <http://atn-riac.agr.ca/asia/e3371.htm> p.2 or Source book of the Jade Olive Oil Project section 5.11

⁶⁶ Jack Liu, *Marketing case focused on blitzing victory of occupying Beijing market by hispanic white leaf olive oil*, translated report 7 by Richar Miao. Published in Chinese on June 2004. p4. .



An other positive indication is the recently opened *Golden Olive Oil Restaurant*. Located on Xizhimenwai Dajie, Golden Olive Restaurant is a Guangdong-style eatery that pays homage to the history and culture of olive oil. To introduce olive oil to China, Golden Olive Restaurant has invited chefs trained in Hong Kong and western countries to prepare authentic food for Beijing's customers⁶⁷.

2.7. Conclusion: the potential olive oil market on Mainland China

From the discussion above, we can derive the following important conclusions we have to take in to consideration in formulating a judgement about the prospect of the olive oil market.

I have placed these conclusions in the following SWOT model:

Opportunities	Threats	Weaknesses	Strengths
<ul style="list-style-type: none"> - the edible oils market is expanding rapidly, is segmented - diversified - Westernisation of food habits. - Relatively high consumer spending on food & dining out. - Italian restaurants are popular. - Chinese middle class taste is adaptable and flexible to new tastes - preference for imported healthy food products and oils. - It is possible to prepare Chinese dishes with olive oil and in the end the taste is only secondary. - Tourism & cultural exchanges - most important Beijing supermarket customers are familiar with olive oil. 	<ul style="list-style-type: none"> - average Consumer knowledge about Olive oil is limited - Chinese gastronomy has traditionally no link with olive oil - Chinese gastronomy and diet with its use of vegetable oils does not need the introduction of olive oil. - Extra virgin olive oil is often not used in western style restaurants. - Olive oil is not sold in the average supermarket 	<ul style="list-style-type: none"> - Olive oil is still expensive for the average Chinese consumer. - Olive oil is relatively unknown. 	<ul style="list-style-type: none"> - Olive oil is a very pure natural healthy oil without any chemical additives. - Olive oil is chemically better suitable to fry food in and it is as such more healthier to prepare food in olive oil than with vegetable oils.

The market potential on short term for olive oil perspective is very promising, but with regard to the present market threats still limited. The identified market opportunities are on short term perspective mainly concentrated on the western style food service and retail sector in the booming cities of China. This is a limited, but, nevertheless, a very important developing market segment in which olive oil will find its place. Here the demand for olive oil will increase significantly. From this sector the increase in the olive oil demand will also spill over

⁶⁷ Beijing Weekend, *Olive Oil added to the melting pot*, article of 31 –10 – 2003, http://service.china.org.cn/link/wcm/Show_Text?info_id=78850&p_qry=olive%20and%20oil



to the booming retail sector on condition that companies and trade associations do start promotion activities with the Chinese middle and upper middle class consumer at the centre. On short term perspective olive oil will only be sold in the western style supermarkets in trendy malls and modern urban shopping areas. Here the increasing demand for olive oil will correlate with the increasing income levels of its main customers: The more health concerned and western products orientated middle and upper middle class. On a long term perspective, it is this group of consumers that could gradually start to introduce the use of olive oil in their kitchen as an healthy and trendy complement and alternative. In this context Chinese tourism to Mediterranean countries will positively affect the general awareness of the healthy Mediterranean kitchen and its use of olive oil. In general foreign food products that have been promoted as healthy and trendy have all achieved a significant increase in demand, but it has to be underlined that a necessary condition for an increase in the olive oil demand, in particular the retail sector, is the following: investments in proper educational and promotion campaigns to inform the potential Chinese consumer about the health benefits, its use and the exclusiveness of olive oil in respect to the vegetable oils. Furthermore, the acquisition of relevant local market knowledge is important and the development of specific marketing strategies for olive oil in every Chinese regional market is necessary. Local consumer preferences need to be closely examined before formulating a market entry strategy. Exporters are strongly advised to invest in targeted market research and olive oil taste testing. Taking the responses and preferences of Chinese consumers for granted (without sufficient direct consumer research) is a common reason for failure of imported food products marketed in China⁶⁸.

⁶⁸ Ralph Bean, *Mainland China Exporter Guide 2004*, GAIN Report CH4824, Foreign Agricultural Service USDA 10/8/2004 <http://www.fas.usda.gov/gainfiles/200410/146117788.pdf> p.7. or Source Book of the Jade Olive Oil Project, section 5.3.



Section 3. Market entry issues and their implications for the small – medium sized producer.

In this section I will assess the accessibility of the Chinese market for particularly small-sized olive oil producers and discuss their capability to take the initiative in order to enter the market and sell their olive oil to the Chinese consumers.

3.1. Introduction

An important conclusion from above is that Mainland China is a very potential but still a limited and undeveloped market for olive oil. In order to tap into this market and to invest in the necessary promotion and education campaigns for the Chinese consumer, a lot of capital is needed. In this respect it should not be a surprise that the market for the moment is dominated by major olive oil multinationals like *Carapelli, Contel, De Cecco*, which have the means to take the initiative on the market. In order to take the initiative on the market it is first necessary to enter the market and to understand its accessibility for an olive oil exporter .

3.2. The Chinese market entry regulation threats or the non-tariff barrier risks.

Although there are in principle no trade entry barriers or restrictions for the importation of olive oil in China, there exists nevertheless a threat for every exporter and in especially for small – medium sized companies: it is simply difficult to gain updated and translated Chinese market and market entry regulations knowledge. Over the past few years, the Chinese government has published a host of regulations governing standards and labelling for food products. Enforcement of these regulations is also becoming more rigorous. Although reputable distributors often deal with these issues on the exporter's behalf, exporters with a major commitment to the China market are advised to study the relevant laws carefully and ensure that they are in compliance⁶⁹. For example, an institution hard to deal with is the General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) in Beijing⁷⁰. A prior approval certificate for a company's olive oil and its label is required prior to applying for goods-arrival inspection and other customs formalities. An exporter or import should submit an application to a regional office of the AQSIQ. After approval, the shipment can be send and during the clearance at the port of entry the AQSIQ will inspect the product for visible and non-visible problems and also ensure if the label is correct. If approved, AQSIQ issues a Pass certificate and will pass it to the Customs Office. A complication in this

⁶⁹ Ralph Bean, *Mainland China Exporter Guide 2004*, GAIN Report CH4824, Foreign Agricultural Service USDA 10/8/2004 <http://www.fas.usda.gov/gainfiles/200410/146117788.pdf> p.6. or Source Book of the Jade Olive Oil Project, section 5.3.

⁷⁰Thomas Miliou, director of the Chinese-Hellenic Chamber of Commerce, *Email Correspondence Thomas Miliou*, Source book of the Jade Olive Oil Project, section 4.4.



is that Chinese regulations are not transparent in nearly all areas of economic administration. There is often a clear lack of written rules, and where they do exist, they are subject to individual interpretation and frequent change. Moreover, sometimes reference is made to non-published secret provisions⁷¹. In this respect it is useful to have a well connected importer who can deal with the possible problems that may arrive during the clearance of a product⁷². This lack of transparency, predictability and reliability means that business with China remains a high-risk activity which for the moment can only be taken on by major corporations and not yet by small and medium-sized enterprises⁷³. These problems do not only represent high market entry costs but also a non – tariff barrier risk⁷⁴ for a small – medium company to take the initiative and enter the market. This threat aggravates in context of the relative low-profit margins that companies in general earn in the Chinese food sector⁷⁵. The profit margins for olive oil are between 2 and 5 percent⁷⁶. Furthermore companies have to invest money in the correct Chinese labelling. This requirement is a market entry threat for the financially weaker small-medium olive oil companies. It is recently decreed by law that the labelling of all food products should be in Chinese⁷⁷. In conclusion, if a small – medium company would like to enter the Chinese market (cost-) effectively it is very advisable to find a good connected importer and distributor operating on its behalf to deal with regulative and administrative problems that could occur in clearing the product⁷⁸. This in itself is already a challenge that in fact represents a market entry threat.

⁷¹ Canadian Consulate General, *Food distribution in the Yanze Delta*. Canadian Agri-food trade service report; July 2003, p.6. http://atn-riae.agr.ca/asia/3630_e.htm or Source book, Section 5.12

⁷² Fernando Comenge Fuentes, Chief market analyst of the Spanish Economic and commercial Office Shanghai, *Meeting with Fernando Comenge Fuentes*, Source book, section 4.1.

⁷³ *EU market access sector report on China*, European Market Access Database 2001-11-14; p.1. <http://mkaccedb.eu.int/cgi-bin/stb/mkstb.pl?action=bycountry&country=720>

⁷⁴ These same problems are described in the recently published report: Canadian Embassy Beijing, *China's Agri-food country profile*, the Canadian Agri-Trade Service, August 2004, http://atn-riae.agr.ca/asia/3833_e.htm p.15 or Source book, Section 5.19

⁷⁵ Alberto Fernandez, General manager of Torres Wine Trading Shanghai Ltd., *Meeting with Alberto Fernandez*, Source book, section 1.2.

⁷⁶ Carlos Matillas export manager of Borges, *email of 16-04-04*, Source book of the Jade Olive Oil Project. Section 4.1.

⁷⁷ Kadoweï, general manager of the Olive Tree ltd., *Meetings with Kadoweï*, Source book, section 1.3. & Nathaniel Aden, Retail Labelling law enforcement, GAIN Report CH 3804 Foreign Agricultural Service USDA, 2-12-2003 p.2. www.fas.usda.gov or Source book, Section 5.23

⁷⁸ R. Bean, *China's retail food sector*, GAIN Report CH 3825, USDA Foreign Agricultural Service 11 –12-2003; p.12 . www.fas.usda.gov., Source book, Section 5.21.



3.3. Market entry threats related to the Chinese importers & distributors

3.3.1. Product ignorance and olive oil promotion issues.

Another market entry threat related to the current undeveloped olive oil market situation is that many importers and distributors do not have good knowledge about olive oil. Olive oil companies like *Ballester & Celentano & Anfora Quality Products* have in the recent years received a lot of enquires from Chinese companies which were interested in distributing olive oil in China. They seem to be more interested in getting the lowest prices than in developing a long term partnership. The most part of the Chinese firms who have been inquiring these companies do not seem to know the use, the different olive oil qualities, the differences between olive oil and their current substitutes, what justifies a different price, and how the olive oil market works⁷⁹. Then it is difficult for them to market the product and justify a higher price...*They are very interested in the product because of slogans like healthy food, and about the profit it can represent with a great demand but they don't know how to market the product. They are surprised with the price and do not know the arguments explaining it*⁸⁰To tackle this problem trade associations, chambers of commerces have started recently with information campaigns. Assoliva, the most important export association for Spanish olive oil exporters, has in the last two years organised professional seminars in Beijing, Shanghai and Hong Kong, both informative and gastronomic. It consist of a general presentation by a Spanish expert of what olive oil is, how it is produced, categories, basic world market figures, etc. The presentation is followed by an olive oil "tasting" seminar with different varieties and then a gastronomic show with a Chinese chef applying olive oil to Chinese food. Nevertheless the budget is very limited, and seminars are addressed only to key professional public (importers, agents, journalists, chefs, etc.). Promotion to consumers come in a later step and requires more money⁸¹. Fenadegas, the Portuguese Union for Agricultural Cooperatives has recently obtained 680.000 € EU financing for the promotion of olive oil in China and Japan⁸². Of course the Italians are also active on the Chinese market to promote olive oil to key professionals. The olive oil multinational Contel has already 10 years invested in the market. Education and product ignorance is a major problem, so every year Contel organises seminars for Chef cooks to increase the product knowledge. *A very slow development, but recently the volumes are increasing rapidly, what is indicating that the*

⁷⁹ Alfonso Fernandez export manager of Anfora Quality products, *Survey of Alfonso Fernandez*, 02-08-2004, Source book, Section 2.2.

⁸⁰ Ana Alcalá, Export manager of Aceites Ballester, *Survey of Ana Alcalá*, Source book, Section 2.3.

⁸¹ Correspondence with Assoliva, Spanish Olive oil Export Association, 22-06-2004, Source book section 4.5.

⁸² Hilde Brans, *Promotion of EU Agricultural Products Outside the EU*, GAIN Report E 24060, Foreign Agricultural Service USDA www.fas.usda.gov. 2004; page 2 or Source book, section 5.20



*investments in education are taking off*⁸³. Olive oil multinational Carapelli plans every year promotion and advertisement campaigns in agreement with its importers and distributors. Together they are in the position to target the expatriates, high spending people and culturally elevated Chinese consumers⁸⁴. Furthermore, trade associations, governmental institutions and companies attend trade fairs in order to inform distributors and importers, for example the recently organised Shanghai Hotel and Catering Food Fair, September 2004, had an impressive list of olive oil companies who were there to promote their olive oil to importers-distributors⁸⁵. These initiatives are positive contributions in tackling the major market entry obstacle of a general olive oil product ignorance at the side of importers and distributors, but at the same time they indicate the tendency of increasing Spanish-Italian olive oil brands competition in order to get on the market or to obtain a better market share.

3.3.2. Effective communication, distribution and product control.

Next to the market entry treath concerning distributors' poor olive oil knowledge; there is link to the general threat of finding the right distributor who is able to set up effective and cost-reductive distribution system. In the light of what has been said about the non-tariff barrier risk and regarding China's fragmented, inefficient distribution system⁸⁶, major olive oil companies have tried to make deals with powerfull import and distribution gaints trading with a huge range of different products. For example, Carapelli is trading with Goodwell, Contel with Sinodis, Montabes with Capiteledi etc. The problem of these giants is that their hierachy and decision making procedure is complicated, slow and intransparent and linked to government⁸⁷. In terms of communication, if problems arise, it is difficult to find the responsible. Furthermore export companies have not much power over these gaints and can hardly adjust its distribution and marketing strategies. Also, these gaints do not care much about the brand image of the commodity and they could incoperate other olive oil brands from other countries in their product range. The advantage though is that the import and distribution gaints have a wide well established distribution network with important retail

⁸³ Fabrizio Conte, export manager of Contel, *telephone conversation with Fabricio Contel*, Source book, section 3.1.

⁸⁴ Simone Tarabussi, export manager of Carapelli, *survey of Simone Tarabussi*, Source book of the Jade Olive Oil Project, section 2.1.

⁸⁵ FHC Shanghai 2004 counted an Armada of 17 Spanish major olive oil cooperations and companies, 10 Italian companies, 1 Turkish company and 1 Chinese company. The Italian Trade Commission was present and the Spanish Trade Commission (ICEX). Portuguese and Hellenic companies are absent <http://www.fhcchina.com/en/p02.htm> .

⁸⁶ Dott. La Spina, *Conference Chamber of Commerce in Perugia, 'Sapori d'Italia I Cina'*, 14-12-2004, Source book, Section 1.5. & Christina Wu, *Distribution & logistics in China*, GAIN Report CH 3833, Agricultural Foreign Service USDA, 12-18-2003, www.fas.usda.gov Source book, section 5.22.

⁸⁷ Antonio De Dominicis, *Telephone conversation with Antonio De Dominicis*, export manager of Basso, 22 – 6 – 2004, Source book, section 3.2. & Renato Chimino, export manager of Coricelli, *Meeting with Renato Chimino*, Source book, section 1.4.

chains⁸⁸. The question is whether it is necessary and furthermore desirable to deal with powerful distributors. It is possible to take a more discreet approach which is to search for and identify well-connected small-medium sized regional entrepreneurial enterprises that have the cash to purchase and hold inventory and the flexibility to find new openings rapidly in a developing market. *When you work with large companies, you get employees handling your product. When you work with entrepreneurial enterprises, you get the owner, the idea guy, working with your brand. There is a qualitative difference*⁸⁹. Besides from more brand loyalty and more streamlined communication, another important difference when you are launching a new food product is that it is more easier to cooperate with the decision maker in launching marketing and promotion campaigns for the olive oil brand.

Thus, it is advisable for an olive oil export company to work together with a few regional small-medium sized companies instead of one giant with a national distribution network⁹⁰. Moreover, it is advisable that an exporter should provide marketing financing and promotional materials. The distributor will not automatically provide this service. Working closely with the distributor is a necessity and will help create relationships, demonstrate commitment, ensure the product is marketed and promoted. It is highly recommended to establish local staff presence to work and assist distributors⁹¹ or to create an export department focused on fostering, maintaining and expanding business relations with China⁹².

For companies serious about the market and prepared to make a long-term commitment, establishing a local presence is a useful strategy. There are three main mechanisms that allow foreign companies to operate in China. These include establishing a representative office (RO), Joint venture (JV) or Wholly Owned Foreign Enterprise (WOFE). Depending on the license, a local presence allows the foreign company better control over the marketing, pricing, distribution and sales of the product. Direct contact with retailers and market players enhances business relationships beneficial for potential success. This strategy of establishing a local presence is costly, needs careful study of all regulations and in particularly necessitates professional advice and careful selection and due diligence research

⁸⁸ Beijing Best Consultants, *Report on survey of imported food market in China*, Confidential report of the Umbrian Chamber of Commerce, November 2004.

⁸⁹ Kelly Martinez, export manager of Antonio Celentano, *Email correspondence with Kelly Martinez*, Source book, section 4.3.

⁹⁰ Renato Chimino, Asia export manager of Coricelli, *Meeting with Renato Chimino*, Source book section 1.4.

⁹¹ Canadian Consulate General, Food distribution in the Yanze Delta. Canadian Agri-food trade service report; July 2003, p.15. http://atn-riac.agr.ca/asia/3630_e.htm or Source book of the Jade Olive Oil Project section 5.12.

⁹² Ibid. 91



of a Chinese partner⁹³. *'The Chinese partners a company works with are often the key to success or failure'*⁹⁴.

3.4. Internal weaknesses of small-medium sized olive oil companies.

The small – medium sized companies have some serious internal weaknesses in respect to the olive oil multinationals: Small enterprises who have the ambition to export and promote their own label on foreign markets have a limited budget. They are often family enterprises with often a chairman or direction that has no educational background in business or marketing. They have no separate export department or if so, a small and malfunctioning export department. Small enterprises can propose often only FOB and EXW for distant Chinese business partners and do only export *on order to order basis* without any contracts or partnerships. In general they are not interested to invest in a new market because they are not sure about the results they obtain. So, their olive oil will be sold without any marketing policies or promotion campaigns in order to establish a relation with the customer or attract customers and keep them⁹⁵.

3.5. The strength and the opportunity for small – medium sized exporters.

An unspoken 'secret' of most major (mostly in Italy located) olive oil multinationals is that because of international competition and the fact that real extra virgin olive oil is expensive most if not all 'olive' oils are mixes of some virgin (usually 5% sometimes 10%) with refined and pomace. These products are often mislabelled as 'extra virgin' because on the chemical tests for extra virgin olive oil is less than 1% acidity. The refined oils have no acidity so they pass this test. If the ingredients of these products are not all listed they can be considered fraudulent. This practice is pervasive in the market, *most if not all the 'olive oils' shipped to Asia are cheap mixes of very poor quality. Other products are mixes of hazelnut, canola or seed oils with a little virgin olive oil*⁹⁶. Furthermore, the olive oil in the bottle is not guaranteed from Italian producers, but is mainly packed and bottled in Italy under an Italian brand. The Italian exporters have as a problem that the worldwide demand for Italian olive oil is higher than the domestic production. Actually the Italian domestic consumption

⁹³ Gain report 3825, China's Retail Food Sector 2003 page 13 (Source book, section 5.21); Gain Report 3833, Distribution & logistics in China 2003, page 13 (Source book, Section 5.22); Canadian Agri-Food Trade Service, the food distribution in the Yangzi Delta, July 2003, page 16 (Source book, section 5.12). & Dott. La Spina, *Conference Chamber of Commerce in Perugia, 'Sapori d'Italia I Cina'*, 14-12-2004, Source book, Section 1.5.

⁹⁴ Christina Wu, *Distribution & logistics in China*, GAIN Report CH 3833, USDA Agricultural Foreign Service, 12-18-2003, page 12. www.fas.usda.gov Source book, section 5.22.

⁹⁵ Melanie Challier, Exporter manager of Aceitex, *Email Correspondence with Melanie Challier*, Source book of the Jade Olive Oil Project, Section 4.6.

⁹⁶ Kelly Martinez, export manager Antonio Celentano, Email correspondence Kelly Martinez, Source book, section 4.3.



accounts almost for the total domestic production⁹⁷. This awkward position forced Italian major olive oil exporters to select and import olive oils from other countries, like Spain, Greece, Turkey which match their domestic olive oil taste characteristics. So, they import large quantities in bulk that they bottle and label under their own brands in Italy⁹⁸.

Thus, most major Italian labels are almost never covering 100 % Italian olive oil, 10 % maximum. If this knowledge becomes widespread under consumers (in China) the reputation of Italian olive oil brands could become damaged in favor of other non-Italian brands and could make an opening in the high end market segment for the introduction of high quality 100 % extra virgin olive oil⁹⁹.

In cities like Shanghai, Beijing, Guangzhou (and certainly also Hong Kong and Taipei) there is a *relatively* small but *numerically* significant part of the population that would prefer and can afford high end olive oils. But, many Chinese importers do not seem to be aware of the potential to develop the high end market and to import and distribute real extra virgin olive oil. Due to the fact that most importers and distributors are not aware of these issues, it will not be easy to find or convince an importer and distributor to invest in the market for the higher end extra virgin olive oils instead of doing business focused on quick profits with cheap fraudulent oils¹⁰⁰. On the other hand, it will not be an impossible task, at some point there will be some distributors who will include high quality extra virgin olive oil in their product range in order to tap into the opportunity to make money with this high end niche market. Furthermore, finding the right distributor is also a major concern for strong multinational olive oil exporters¹⁰¹.

⁹⁷ Juan José Jiménez Pérez , *Conferencia de Don Rafael Salgado Cuesta*, president of Aceites Rafael Salgado, president of the Spanish Chamber of Commerce, member of the Jury of the IOOC; p2. <http://www.infolivo.com/Confere2.htm>

⁹⁸ Emre Uygun, Export Manager Uygun Rafine Ltd, Email correspondence Emry Uygun, Source book, section 4.7.

⁹⁹ For more information about the so called ‘Olive Oil Scandal’: The Californian Olive Oil Council: <http://www.cooc.com/> & Naturo Doc: http://www.naturodoc.com/library/News/olive_oil_scandal.htm also read the *Email Correspondence with Kelly Martinez*, Source book of the Jade Olive Oil Project , section 4.3 for more information and links.

¹⁰⁰ Ibid. 93

¹⁰¹ Renato Chimino, Asia export manger of Coricelli, *Meeting with Renato Chimino*, Source book section 1.4



3.6. Conclusion: the Chinese market and the small – medium sized olive oil producer.

From the discussion above, we can derive the following important conclusions we will use to make a final assessment about the accessibility of the Chinese market for small-medium sized olive oil exporters. I have placed these conclusions in the following SWOT model:

Opportunities	Threats	Weaknesses	Strengths
<ul style="list-style-type: none"> - major olive oil traders are deceitfully exporting olive oil under the name of extra virgin olive oil. - setting up a stable contacts with an entrepreneurial regional importer in order to develop the high end market for high quality olive oils is not impossible task. - big companies, trade associations and coc's are active on promoting olive oil to importers – distributors. 	<ul style="list-style-type: none"> - non-trade barrier risk ACSIQ - distributors' poor olive oil product knowledge → preference for cheaper alternatives or 'fraudulent extra virgin olive oils'. - finding the right entrepreneurial distributor is difficult and time consuming. - increasing competition from other olive oil brands. - low profit margins 	<ul style="list-style-type: none"> - High quality extra virgin Olive oil is (too) expensive for the middle class consumer. - exporters have poor knowledge about Chinese business practices and regulations. - small – medium sized companies have a limited budget for promotion activities. - small-medium sized companies have a small export department. - limited budget for necessary investments in promotion & marketing campaigns 	<ul style="list-style-type: none"> - high quality 100 % extra virgin olive oil with no chemical additives. - the healthiest & purest olive oil you can get. - rich high end consumers prefer quality over price.

A small – medium sized exporter faced with these threats and obstacles will not be inclined to invest limited money and time for such a daring venture in seizing the initiative in order to find a possible partner and start to develop their niche market. The board of direction will prefer to resign and wait until a Chinese agent or importer maybe finally will start to import its high quality extra virgin olive oil. Therefore the initiative is for the olive oil multinationals, though the extent of this initiative is undermined by dealing with the gigantic national importers and distributors. Furthermore serious close business cooperation in terms of establishing a joint-venture is undermined by the difficulty to conduct descent due diligence research in China¹⁰². Olive oil multinationals who would like to seize the initiative in China have to do their home work very carefully before getting into action¹⁰³.

¹⁰² George Martin, *Due Diligence in China: Revealing the Dark Side of the Moon*, http://www.faegre.com/articles/article_print.aspx?id=502 George Martin is head of the Greater China practice group. He and the firm's Chinese lawyers advise U.S. and European companies on trade, foreign investment and commercial matters throughout China, Hong Kong, and Taiwan.

¹⁰³ R. Bean, *China's retail food sector*, GAIN Report CH 3825, USDA Foreign Agricultural Service 11/12/2003 . www.fas.usda.gov . p.13, Source book, Section 5.21



3.7. A suggestion for small – medium sized companies to seize the initiative.

Although, the Chinese market accessibility situation for the ambitious small-medium sized companies is not very optimistic, there is nevertheless a change to create an opportunity in order to take the initiative. The best way to take the initiative on the Chinese market is to start to work with a small-medium sized regional – local importer/distributor who has the same ambition as these exporters of high quality extra virgin olive oil: which is to focus on developing one regional-local market and develop the niche-upper market segment for high quality extra virgin olive oils for rich (western educated) health concerned Chinese consumers. They should pursue gradual but sustainable growth in their niche market and invest in market promotion. In order to pay for the costs of marketing and promotion campaigns it is advisable that a company would join a association of producers from different kind of regions who are willing to invest in the regional Chinese market and to share the costs and risks¹⁰⁴. The foundation of such an China export association for high quality olive oils, although desirable, would nevertheless entail a challenge on its own in order to create this peaceful coexistence of potential rivals. It is an option for the daring and the ambitious, but in the light what has been said about the internal weaknesses of the small-medium olive oil producers, it is very unlikely that a few of them will work together in order to seize the initiative to get established in their high-end niche market¹⁰⁵. Thus, it will be in the end a knowledgeable agent or importer that will pick the lucky ones out of the long list of small-medium sized exporters of high quality olive oils in the Mediterranean.

If we come back to the initial generalisation and myth about China; it would be more appropriate to say that China looks more like a potential export labyrinth than a potential export Walhalla. Only careful business preparation and specific regional market orientation and research will enable you to find your way in and out of it¹⁰⁶.

¹⁰⁴ Melanie Challier, Exporter manager of Aceitex, *Email Correspondence with Melanie Challier*, Source book of the Jade Olive Oil Project , Section 4.6. & Dott. La Spina, *Conference Chamber of Commerce in Perugia, 'Sapori d'Italia I Cina'*, 14-12-2004, Source book, Section 1.5.

¹⁰⁵ Kelly Martinez, Export manager of Antonio Celentano *Email correspondence Kelly Martinez*, Source book, section 4.3.

¹⁰⁶ For more suggestions to make a start to enter the market: Appendix 2. Market entry Strategies.



Section 4. Concluding remarks:

In this study I have given the contours of limited but very potential markets for olive oil with very good prospects, on condition that exporters invest in promotion campaigns and assist their *right* distributor. In terms of accessibility and seizing the initiative for entering this potential market, I have given the contours of a complex and very strictly regulated situation in which again the assistance of the well-connected distributor is vital. Also, I have shown that the small-medium exporter, on its own, is confronted with a titanic operation in order to seize the initiative on the market in terms of investments, high-entry costs, low profit margins and providing assistance to the distributor. The best way for a small – medium sized producer to take the initiative on the upper segment market on Mainland China with its genuine, high quality extra virgin olive oil, is to join an olive oil export association focused on entering the Chinese market in order to split the costs and risk. This could be a very rewarding venture, because the market potential of high quality healthy products, like real extra virgin olive oil in China, is there (of course on the premise that exporters invest in promotion and education campaigns).

In this respect we seem to come across again the same observation that in this regard finding the right and well-connected distributor is essential. The ‘right’ means in fact that distributor is able to provide effectively these outlets in China where extra virgin olive oil is likely to be profitable and refers to the issue of commitment: Both exporter and importer are willing to make a commitment on the market for the brand. The term ‘well connected’ is in this respect a key term. When we across these terms like the right, ‘communication, committed, connected’ they seem to be covering or euphemistic ignoring the fact that this term refers to the Chinese concept for social capital¹⁰⁷: *guanxi*. Guanxi is an important social-cultural element in Chinese business practises that should be mentioned by its real name, although it will make American – Anglo-Saxon business ethics shiver. I do not have the space to enter this debate and work out the significance and meaning of Guanxi in China today¹⁰⁸, but what I as a cultural pluralist would like to underline is that in order to take successfully the initiative on the market and develop stable business contacts in China, you have to get familiar with Chinese culture, tradition, history and in particularly the significance of guanxi. Understanding, proper knowledge and expectations with regard to the cultural, social and

¹⁰⁷ Quotation: ‘If one look for a similar way of thinking in western philosophy, guanxi has resemblances with Pierre Bordieu’s concept of *social capital*: ‘is the aggregate of actual are potential resources which are linked to the possession of a durable network of more are less institutionalised relationships of mutual acquaintance and recognition’. Jeppe Pedersen, *Guanxi in China*, Master Thesis Autumn 2003, Asian Library of the University of Lund or Source book, section 5.24.

¹⁰⁸ For a very interesting discussion of the role of guanxi in China, I would like to refer the reader to a recently published master thesis you can find in the Asia Library at the University of Lund: Jeppe Pedersen, *Guanxi in China*, Master Thesis Autumn 2003, Asian Library of the University of Lund or Source book, section 5.24



economic changes with its implications for current business practices in China, will help you a lot in finding your way in the labyrinth of opportunities and threats that China represents for olive oil exporters.

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Malmö, 2004-12-19



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The European Commission: <http://europa.eu.int/>

The International Olive Oil Council : <http://www.internationaloliveoil.org/>

The World Trade Organisation: <http://www.wto.org/index.htm>

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VII. Appendix (only available on request).

Appendix I. The International competition on Mainland's China's Olive Oil Market.

Appendix II. Market entry strategies and options.

Appendix III. Business & marketing plan: the launching of a Hellenic olive oil Brand



QUESTIONS & COMMENTS

