

Which Markets Offer Most Opportunities for Olive Oil Export from Lebanon?

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Lebanon has been among the top 20 exporters of olive oil for at least the last two decades. Exports have been growing at a CAGR of 14.54% from \$1,525,000 in 2001 to \$23,023,000 in 2020. In the coming years, promising opportunities can be found in Saudi Arabia, Canada, United States of America, Brazil, Germany and Ukraine for the Lebanese olive oil. This document gives an overview about the olive oil market, takes a closer look Lebanon's exports and worldwide imports and highlights potential growth opportunities of Lebanon's olive oil exports.

1. Product Definition

Olive oil, or **Olivenöl** in German, is a vegetable oil obtained from the fruit of the olive tree (*Olea europaea*), a traditional crop of the Mediterranean Basin. Most olive oils are produced by physical and mechanical means, through operations such as grinding, pressing, centrifugation and physical filtration. Olive oil can also be produced by chemical means, with the use of solvents, but those methods negatively affect quality. Olive oil varies in color, characteristics and qualities depending on the region and ripeness of the olives.

Olive oil is rich in antioxidants and monounsaturated fatty acids. Studies have associated its consumption, especially in the form of extra virgin olive oil, with lowered risk of cardiovascular diseases, type II diabetes and Alzheimer disease among others. Given its inherent nutritional value and health benefits, it has been a central component of the 'Mediterranean diet'. In addition to its culinary use and its usage in the preservation of foods, olive oil is also used for wool combing, the manufacture of cosmetics and soap, and for medicinal purposes.

Depending on the production method, the composition and sensory characteristics of olive oil can be classified in several categories:

- **Virgin olive oil** which is obtained solely by the first mechanical pressing without further treatment. Virgin olive oils include several quality categories, such as:
 - **extra virgin olive oil** (with <0.8% free fatty acids) which possesses excellent taste and scent;
 - **virgin olive oil** (with <2% free fatty acids) which has good taste and scent;
 - **ordinary olive oil** (with <3.3% free fatty acids);
- After the initial pressing, the residual pulp is pressed again with hot water producing oil with higher acid content known as '**lampante**', which gets its name from its use as a fuel for lamps. 'Lampante' olive oil that has more than 3.3% free acidity is not fit for human consumption and must be refined before culinary use.
- **Refined olive oil** – obtained by refining lampante olive oil by removing acids, color and odor.
- **Olive oil** – a blend of virgin and refined olive oils, called **pure** or **edible**, contains less than 1% free fatty acids.
- **Pomace oil** – obtained by treating olive pomace with solvents or other treatments. After refining, pomace oil can be directly consumed or mixed with virgin olive oil to improve quality.

The above listed categorization is a simplified version of the International Olive Council (IOC) standards. The European Union marketing standard is slightly different, defining 'lampante' as each olive oil with more than 2% acidity, excluding the ordinary olive oil category. Olive oil with lower quality, such as crude pomace or lampante, can be also used for technical purposes, for example, as a fuel.

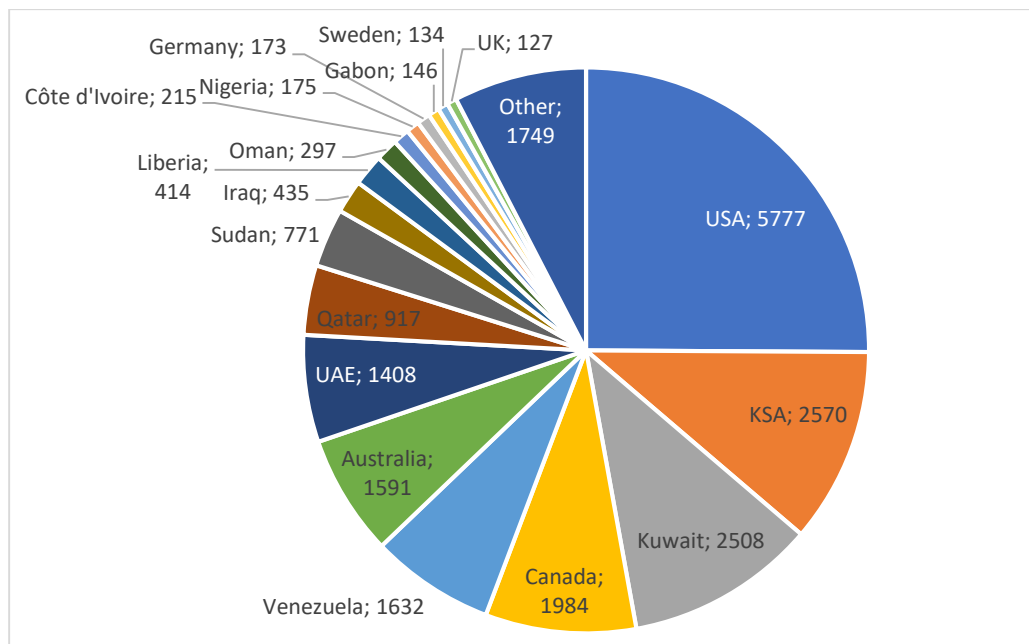
All grades of olive oil are produced in Lebanon. This report uses the combined nomenclature code 1509 'olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions that do not lead to deterioration of the oil, whether or not refined, but not chemically modified'.

2. Where Does Lebanon's Olive Oil Currently Go to?

Overall, it is estimated that, in the recent years, Lebanon has come to produce around 25 thousand tons of olive oil annually. According to FAO, in 2018, Lebanon was the 15th largest producer with a share of 0.5% of world production. In recent years, the export volume amounted to between 7 to 10 thousand tons per year.

In 2020, a quarter of Lebanon's olive oil was exported to the United States and around 50% to Saudi Arabia, Kuwait, Canada, Venezuela, Australia and the United Arab Emirates. (Figure 1).

Figure 1: Share of Export Markets of Olive Oil from Lebanon (\$1000), in 2020



Source: ICT Trademap

3. What is Lebanon's Position in the International Market?

Countries of the Mediterranean Basin produce the majority of the world supply. For more than two decades, Spain has been the leading producer of virgin olive oil.

Despite the decrease in the Spanish olive oil export value in 2020 compared to 2016, Spain remained, by far, the leading olive oil exporter, followed by Italy, Tunisia, Portugal and Greece. In the last 5 years, Tunisia's and Portugal's olive oil exports increased substantially, while Italy and Greece faced a decline in exports despite the slight increase in quantity exported. The value of Tunisia's olive oil exports more than doubled with quantities increasing by more than two-folds. The value and quantity of Portugal's olive oil exports increased by 43% and 73% respectively. The increase in exports of olive oil from Tunisia and Portugal, affected olive oil imports from Italy and Greece adding to the effect of the decline in olive production the two countries faced.

Lebanon's share in the value of global trade of olive oil was 0.3%. In 2020, the total value of olive oil exports from Lebanon stood at \$23 million, a 24% drop compared to 2016 levels, the highest export

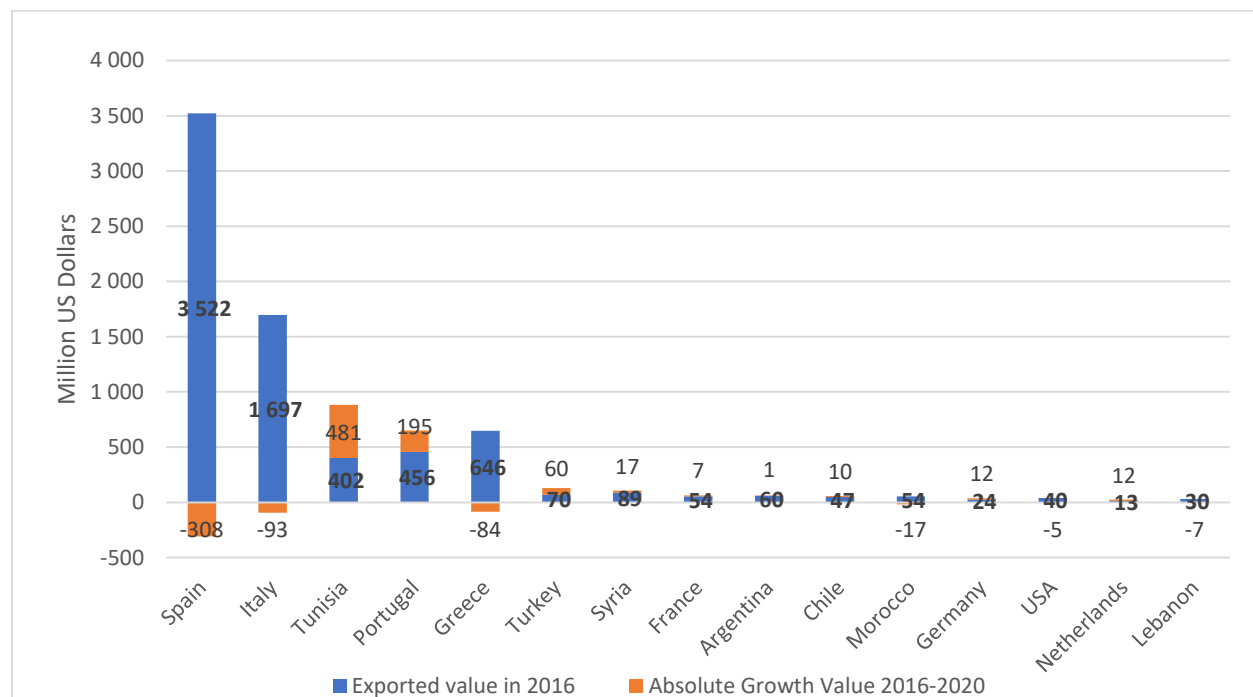
value recorded. In the same period, the quantity exported dropped by 31% and leveled at 7 thousand tons in 2020. Lebanon ranked 15th in terms of export value and 13th in terms of export volume in 2020.

Lebanon's share in the imports of most countries is low, which leaves room for future market share expansion. This situation is different for the exports to Kuwait and Venezuela. Lebanese olive oil exports to these countries constituted an impressive share of 76% and 82%, respectively, of the imports of these two countries.

In terms of duties, the European market and also other region's markets are not a level playing field for exporters of olive oil:

- Among the leading exporters, European Union countries, Morocco and Palestine did not face any tariffs for their exports into most EU countries. EU countries, however, encountered tariffs on their exports to non-EU countries of between 30 and 36%.
- Lebanon, the other Mediterranean basin countries and the American countries paid high tariffs on their exports to Europe (between 30 and 36%) but faced zero or low tariffs on their exports to Arab countries and various countries in the different regions of the world.
- Compared to Palestine and Morocco, Lebanon has a clear disadvantage when it comes to tariffs, as the former countries face much lower tariffs for entering the European market. Lebanon has a slightly comparative advantage in tariffs compared to Tunisia, Turkey and Syria given the slightly lower tariffs it pays for its olive oil exports into Europe (30.5% compared to 32.5% by Turkey and 35.8% by Tunisia for example).

Figure 2: Leading Olive Oil Exporters in 2020

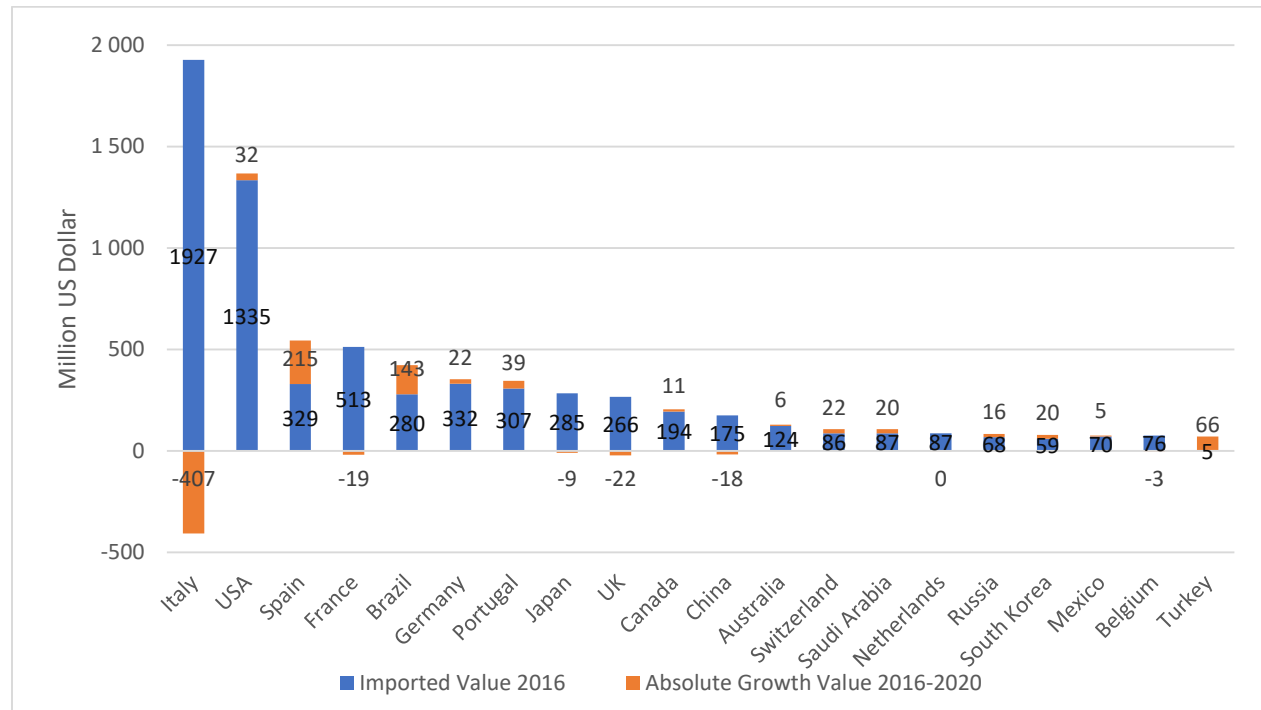


Source: ICT Trademap

4. What are the Trends in Trade in the 20 Largest Importing Markets?

The global value of olive oil imports underwent a sharp increase from 2016 to 2017, increased further in 2018 and then dropped abruptly in 2019. In 2020, it increased slightly. Overall, the world value of olive oil imports increased by 1.6% from 2016 until 2020. Meanwhile, available data for quantities indicated a 16% increase in quantity of olive oil exported from 2016 until 2020. This highlights a global decrease in the unit price of olive oil which is likely reflecting the olive oil market dynamics of an abundance in the supply given higher levels of production.

Figure 3: Leading Olive Oil Importers in 2020



Source: ICT Trademap

The top 20 olive oil importers constituted almost 90% of worldwide imports in 2020. For the past two decades, Italy remained the leading olive oil importer with a 20% share of total olive oil imports in 2020. Since 2016, the value of its olive oil imports decreased by 21% while the quantity imported increased by 25%. The average unit price of Italian olive oil imports decreased by 37% from \$6,079/ton in 2016 to \$3,848/ton in 2020.

Meanwhile, the United States retained its second place, over the same period, with a share of 18% in 2020 with a slight increase in import value and almost double the imported quantity between 2016 and 2020. Spain had recently overtaken France, coming in third place with 2020 shares equivalent to 7% and 6% respectively.

Another remarkable increase is observed in Turkey with the value of olive oil imports increasing by more than thirteenfold and the quantity by more than 31 times. The increase in the imports of Brazil over the last 5 years made it the 5th largest importer of olive oil in 2020. While the value of olive oil imports by

some leading importers decreased, quantities imported maintained an upward trend implying a decrease in unit price.

5. What Are Interesting Markets for the Future?

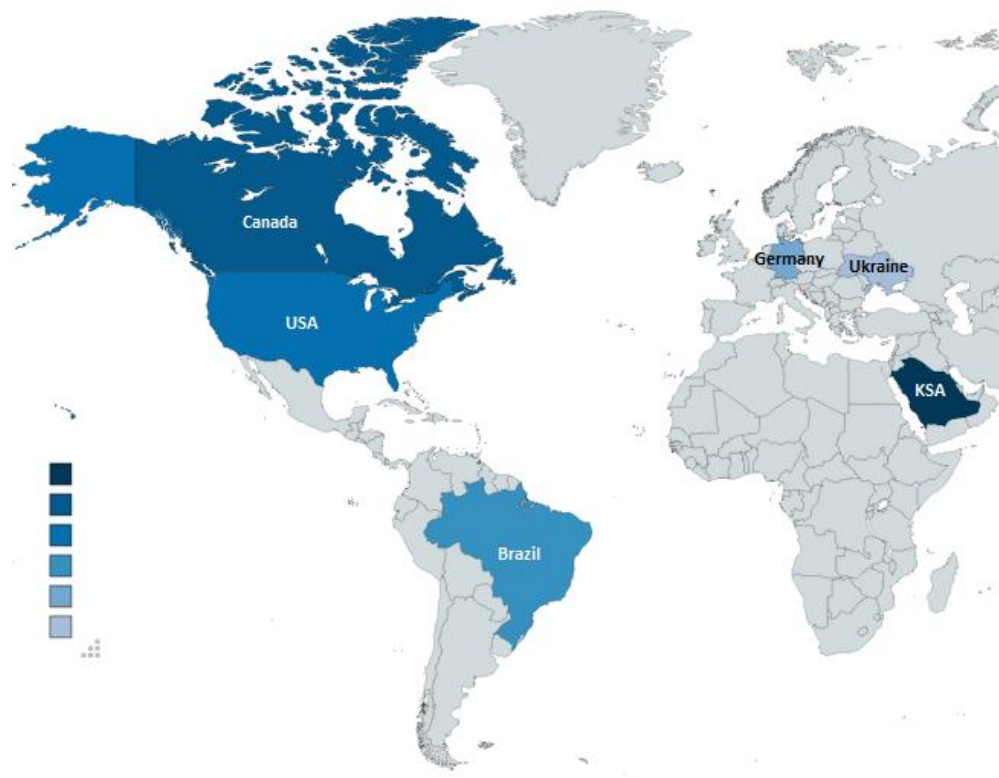
Global olive oil consumption has almost doubled in the last three decades. While traditionally consumption of olive oil was mostly concentrated in producing countries, it has also been on the rise in non-producing countries in recent years. Still, in 2018 the top 10 countries by per capita consumption of olive oil consisted of only Mediterranean countries. The consumption per capita in these countries ranged from 2.8 litres in Libya (#10) to 12.8 litres in Greece (#1). The large gap with other countries is best illustrated by the per capita consumption of 1.4 litre, 1.2 litre, 0.7 litre and 0.4 litre in Canada, Saudi Arabia, Germany and Brazil respectively.

Overall, the conclusion is that there is much room for growth of worldwide olive oil consumption, in particular in the countries without an olive oil tradition.

5.1. Most Promising Markets for Olive Oil from Lebanon

Following a model based on trade statistics and other variables, Saudi Arabia, Canada, United States of America, Brazil, Germany and Ukraine were identified as potential markets for olive oil exports from Lebanon (Figure 4). While Saudi Arabia, Canada and the United States of America are among the top importers of Lebanese olive oil with a share of more than 45% in 2020, each of the other three countries imported less than 1% of the exported Lebanese olive oil.

Figure 4: Most Promising Markets for Olive Oil Exports from Lebanon



Map constructed using <https://mapchart.net/world.html>




The methodology includes a calculation based on total olive oil import value in 2020 and its growth in the previous 5 years, import value of olive oil from Lebanon in 2020 and its growth in the previous 5 years, tariffs faced by Lebanon compared to those faced by leading competitors in the market, concentration of suppliers, and projected average growth in GDP in the period 2021-2026 (Table 1).

Table 1: Selection Statistics for the Top Potential Export Markets of Olive Oil from Lebanon

Country	1	2	3	4	5	6
	Total Import Value in 2020 (\$1000)	CAGR in Total Value Imported 2016-2020 (%)	Import Value from Lebanon in 2020 (\$1000)	CAGR in Value Imported from Lebanon 2016-2020 (%)	Concentration of Suppliers (1 = many, 0 = one)	Projected Real GDP Growth 2021-2026 (Average Annual %)
Saudi Arabia	107,510	5.4	2,570	-14.2	0.16 (++)	3.0 (+)
Canada	205,606	1.4	1,984	7.3	0.27 (+)	2.7 (+)
USA	1,367,122	0.6	5,777	1.1	0.23 (+)	2.7 (-)
Brazil	422,486	10.8	111	15.9	0.48 (++)	2.4 (+)
Germany	353,722	1.6	173	4.6	0.40 (++)	2.1 (+)
Ukraine	15,550	32.9	10	1.2	0.32 (++)	3.8 (+)

Source: ICT Trademap for columns 1 to 5 and IMF for column 6

6. Tips

-  Focus your marketing and sales efforts on a limited range of countries, ideally in one region.
-  Study your export market to understand its requirements and the needs of the buyers.
-  Identify your competitors to potential customers in order to differentiate your product.