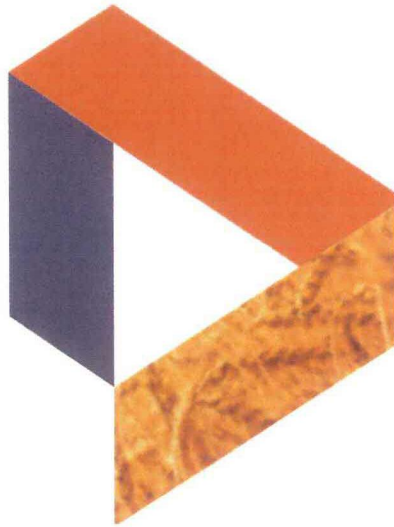


Assessment of California Table Olive Industry



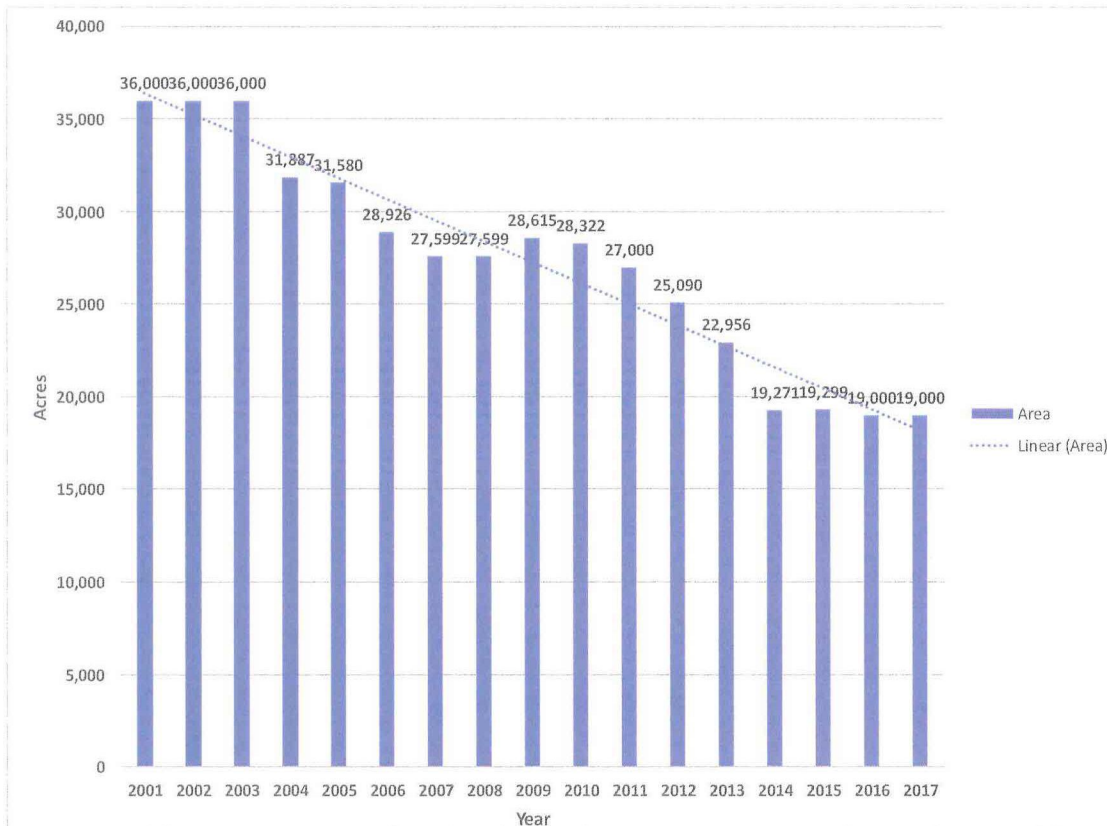
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Objective of Study and Methodology

- Informa conducted a study of California's table olive industry.
- Data was gathered from a variety of public sources and used to assess the U.S. table olive supply and demand situation, taking into account trends in area, production, imports and consumption.
- Although the focus of this case is on the years 2015 to 2017, Informa includes additional years because they are informative in explaining trends.
- I will review some of the findings of the study.

California Table Olive Area is in Decline



Sources: California Department of Food and Agriculture in cooperation with USDA/NASS, California Olive Committee Annual Reports and Exhibit I-8 in the public version of California Olive Association Report.

- ❑ California table olive area is down 47% since 2003.
- ❑ Reasons for the shift:
 - Higher labor costs vis-à-vis other crops.
 - Difficulties in adopting mechanical harvesting.
 - Other crops are more profitable.
 - Limited labor availability.

Labor Costs are Higher for Table Olives

Production Costs for Table Olives, Almonds and Olives for Oil Production, 2018
 In Dollars per Acre

Type of Costs	Table Olives	Almonds	Olives for Oil Production
Cultural Costs	1,321	1,852	561
Harvest Costs	2,500	393	400
Post Harvest Costs	0	0	144
Interest on Operating Capital	32	22	10
Total Operating Costs	3,853	2,267	1,115
Overhead Costs	363	417	220
Total Cash Costs per Acre	4,215	2,685	1,335
Non-Cash Overhead Costs	801	1,060	611
Total Production Costs	5,016	3,744	1,946

Source: UC Davis AIC Studies

- ❑ Table olive harvest costs are much higher than other crops because the harvest is labor intensive.
- ❑ Mechanical harvesting for almonds and olives for oil production allows for much lower production costs.

Labor Costs to Increase

Schedule for California Minimum Wage Rate

Date	Minimum Wage for Employers with 25 or Fewer Employees	Minimum Wage for Employers with More than 25 Employees
2017	\$10.00/hour	\$10.50/hour
2018	\$10.50/hour	\$11.00/hour
2019	\$11.00/hour	\$12.00/hour
2020	\$12.00/hour	\$13.00/hour
2021	\$13.00/hour	\$14.00/hour
2022	\$14.00/hour	\$15.00/hour
2023	\$15.00/hour	\$15.00/hour

Overtime Wages for California Farm Workers

Date	Overtime Wage for Employers with 25 or Fewer Employees	Overtime Wage for Employers with More than 25 Employees
2019		9.5 hours a day or 55 hours a week
2020		9 hours a day or 50 hours a week
2021		8.5 hours a day or 45 hours a week
2022	9.5 hours a day or 55 hours a week	8 hours a day or 40 hours a week
2023	9 hours a day or 50 hours a week	
2024	8.5 hours a day or 45 hours a week	
2025	8 hours a day or 40 hours a week	

- California labor cost situation for table olives is expected to worsen because of:
 - California legislation to raise the minimum wage annually from \$10 per hour in 2017 to \$15 per hour in 2023.
 - California legislation to grant farm workers the same right to overtime pay as Californians in other industries.

Shift to More Profitable Crops

Net Returns per Acre Above Total Costs for Table Olives, Almonds and Olives for Oil Production in 2016

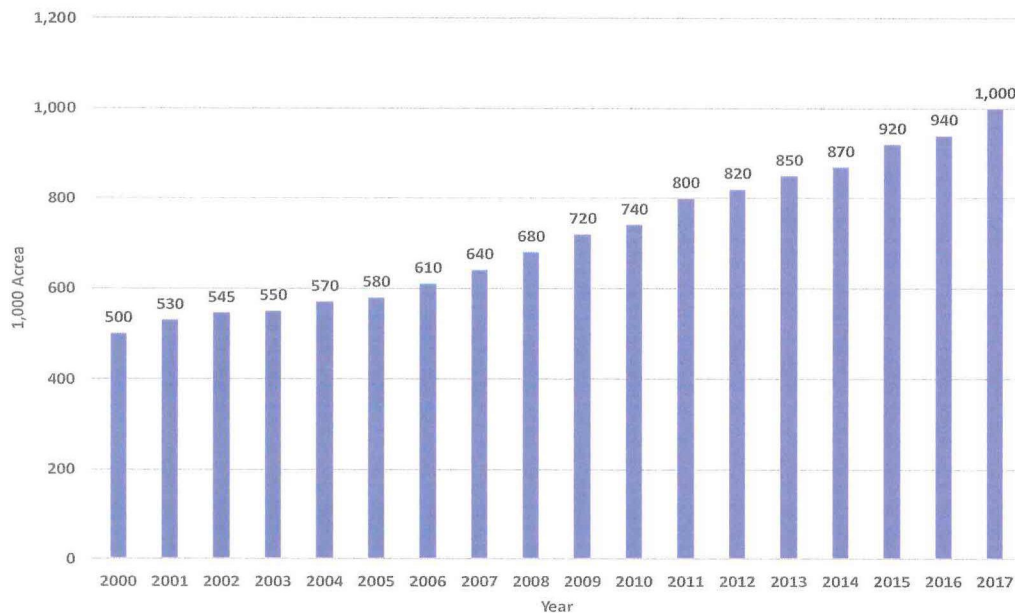
Item	Table Olives	Almonds	Olives for Oil Production
Net Return per Acre (\$/Acre)	\$84	\$1,756	\$1,414

Source: UC Davis AIC Studies

- Studies conducted by UC Davis show net returns per acre for table olives in 2016 sharply below other crops such as almonds and table olives for oil production.
- Net returns are heavily impacted by harvest costs which are higher for table olives because of higher labor costs.

Almond Area Expansion

Trends in California Almond Acreage



Source: NASS/USDA

Changes in Table Olive & Almond Area

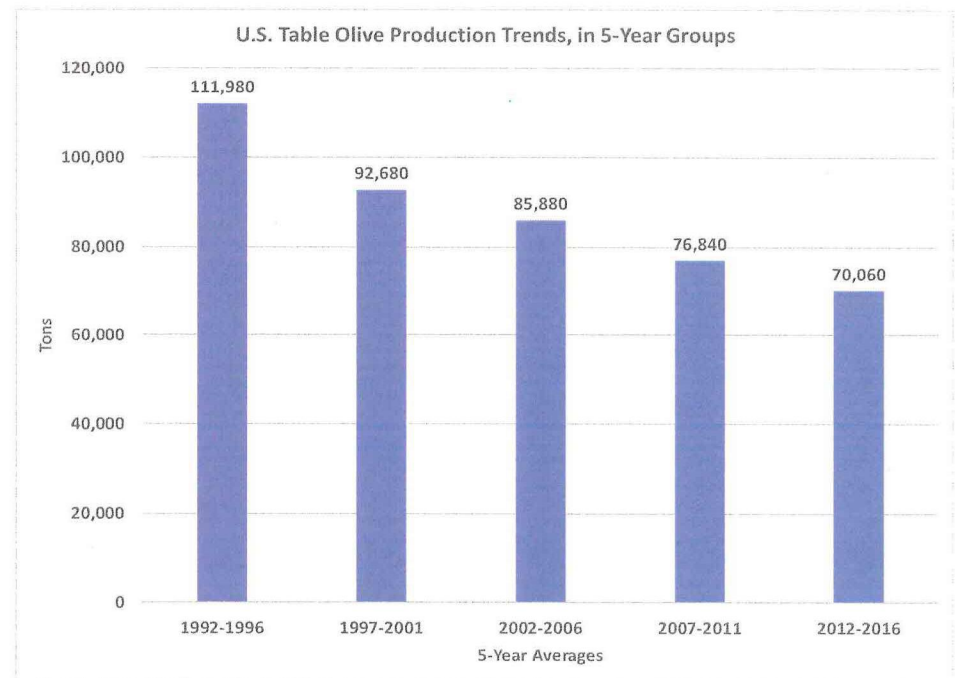
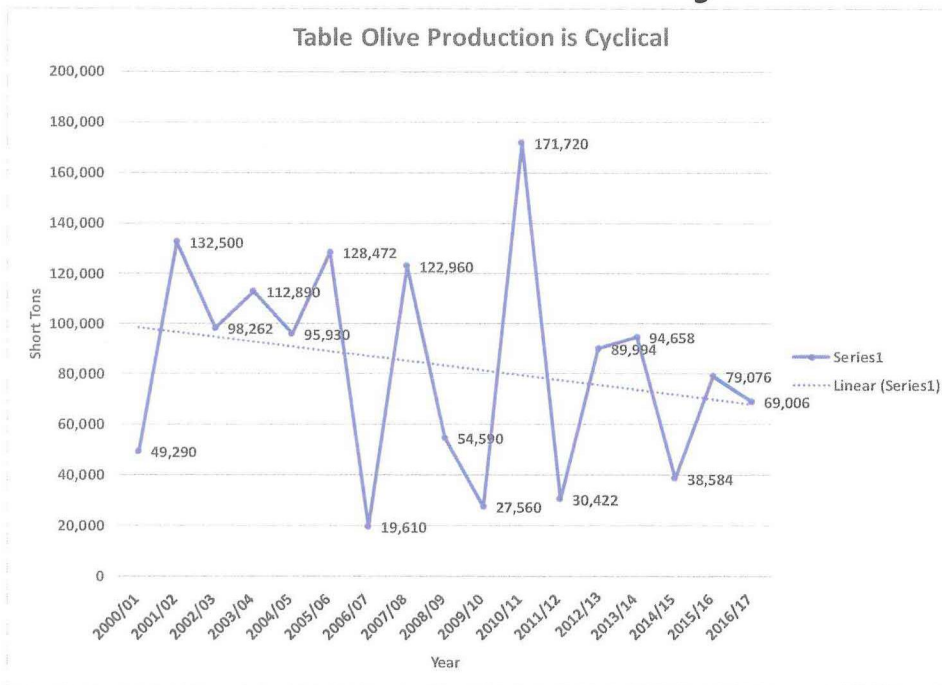
From 2003-2015, In Acres

County	Table Olives	Almonds
Tulare	-7,798	21,443
Tehama	-2,427	4,203
Glenn	-3,351	15,213
Total	-13,576	40,859

Sources: California Almond Acreage Reports and various California Olive Committee Annual reports.

- California almond area has doubled since 2000.
- Table olive area decreases and almond area increases in Tulare, Tehama and Glenn counties likely demonstrate some shift from table olives.

Production Cyclical and Steadily Declining



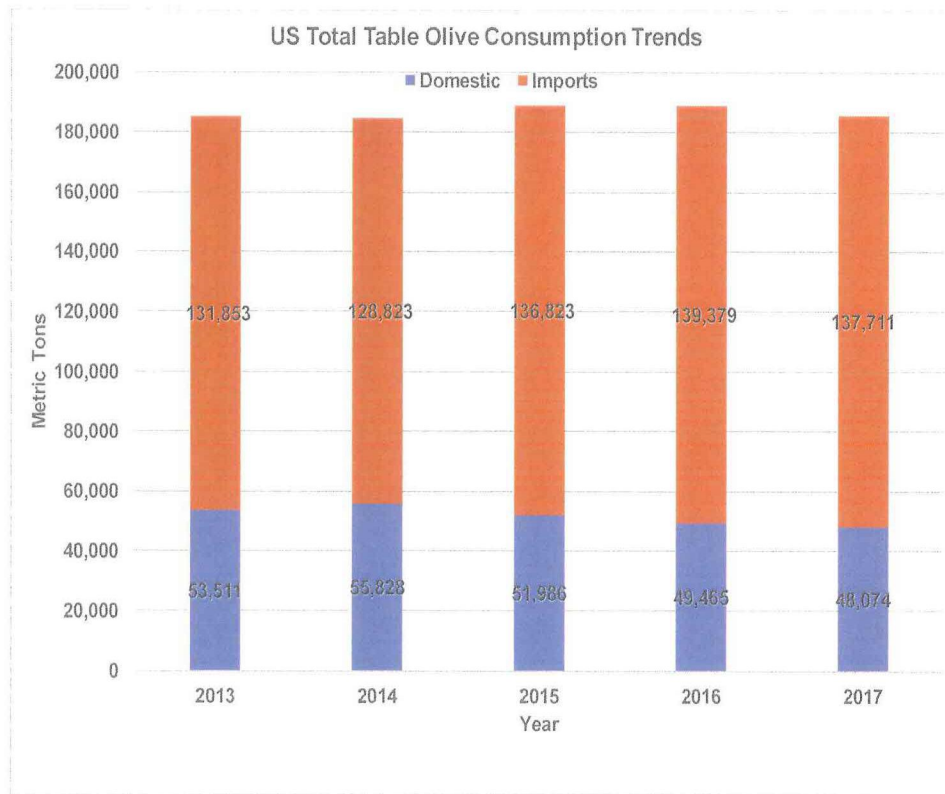
Note: Includes canned and limited table olive production.

Sources: ERS/USDA

Sources: ERS/USDA and Informa

- California table olive production is shrinking because farmers are shifting to more profitable crops with lower production costs.
- Shrinking domestic production base is causing processors to lose sales and revenues.

U.S. Total Table Olive Consumption Fairly Flat



Sources: California Department of Agriculture in conjunction
With NASS/USDA for domestic sales and FAS/USDA for imports.

- California processors account for about 26% of the domestic market.
 - This small share makes it difficult for processors to be viewed as reliable suppliers.
- California processors primarily produce black ripe olives.
 - More than half of US imports are green olives.
 - U.S. buyers looking to purchase a wide range of olive products will likely look to foreign suppliers.

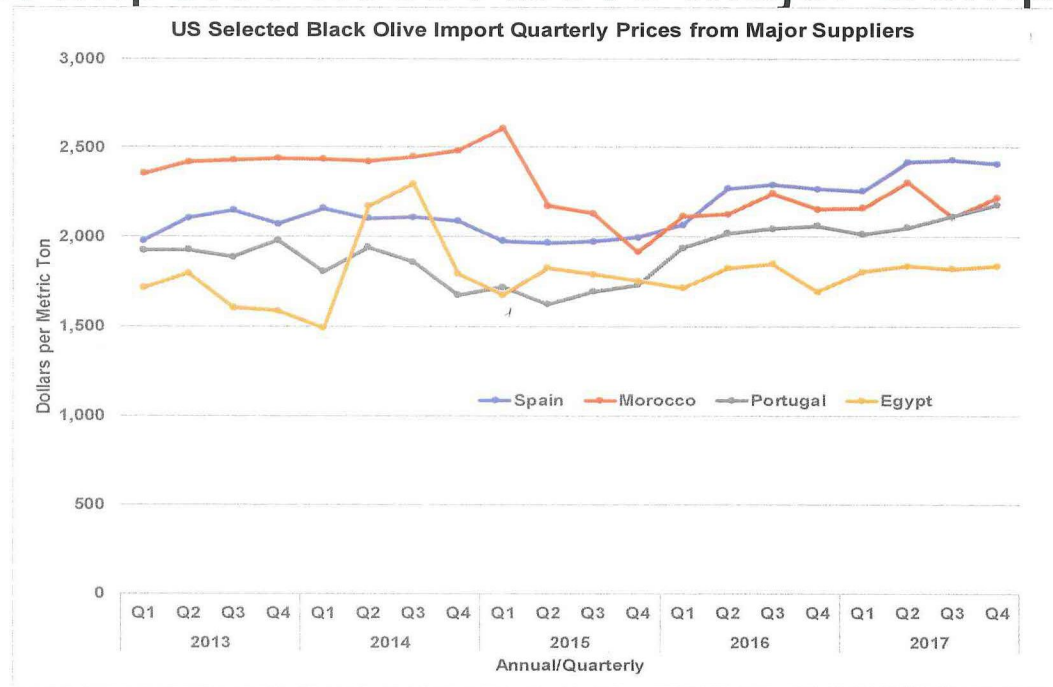
U.S. Ripe Black Olive Imports Flat to Declining

U.S. Ripe Black Olive Imports in Metric Tons For Select HS Codes					
In Metric Tons					
	2013	2014	2015	2016	2017
Spain	24,085	26,976	31,785	31,878	29,739
Morocco	13,194	13,111	5,066	5,102	3,107
Portugal	1,371	1,672	3,015	2,732	2,950
Egypt	1,251	438	1,614	2,201	2,507
Other	1,925	1,269	967	800	921
Total	41,826	43,464	42,448	42,713	39,224
%Spain	57.6	62.1	74.9	74.6	75.8
%Morocco	31.5	30.2	11.9	11.9	7.9

Source: FAS/GATS

- ❑ Spain increased its share of U.S. imports from 58% in 2013 to 76% in 2017.
 - That increase displaced other foreign suppliers and not domestic processors.
- ❑ The years under investigation, 2015 to 2017 show U.S. imports from Spain flat to declining.

Spain Import Prices Above Major Competitors



Source: FAS/GATS

- U.S. black ripe olive import prices from Spain have trended upward since the 2nd quarter of 2015 and were above other major competitors in 2016 and 2017.
- Import prices from Morocco dropped sharply in the 2nd quarter of 2015, started rising in the first quarter of 2016 but remained below Spain's.

Conclusion

- ❑ California processor sales and revenues reflect decreasing domestic table olive production and not because of imports from Spain.
 - Domestic production is declining because growers are switching to more profitable crops.
- ❑ It is difficult for California processors to be viewed as reliable suppliers.
 - Domestic production is cyclical and declining.
 - California processors account for only about 26% of sales in the domestic market.
- ❑ California processors primarily produce black olives and U.S. buyers looking to purchase a wider range of table olive products will likely look to foreign suppliers to get those products.
 - More than half of US table olive imports are green olives.



Questions?



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