

# PRICES OF ORGANIC EXTRA-VIRGIN OLIVE OILS

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(Abstract)

For the 7<sup>th</sup> edition of the Biol Prize the International Observatory on Organic Olive Growing has focused on the study of the making of the oil prices during the productive process.

It is very interesting to study the prices dynamic in a specific market, in that those generally represent the indicators of balance between the supply and demand and are also expression of the value consumers attribute to a particular good and to its usefulness, according to marketing theories. To explain the presence of a *premium price* for organic products we have to consider the factors which indicate a structural weakness on the supply-side and, at the same time, the factors which seem to influence organic products consumption on the demand-side.

Analysing the supply, at a *productive stage* we have to consider a reduced output compared to non-organic produce and certainly higher production costs, also in consideration of certification requirements. At the stage of *transformation and distribution* quantities are lower, transformation methods are non-industrial and transportation inefficiencies also occur; furthermore the market shows a deep dichotomy as production is concentrated in the South of Italy and transformation and consumption are concentrated in the North.

In particular, organic extra-virgin olive oil market, being a market niche, allows wide profit margins, as a consequence of consumers’ willingness to pay more.

On the supply-side, the factors which seem to boost consumption can be connected with the pursuing of a safe and healthy diet, especially following the several food scandals.

Indeed, food consumption is also determined by strong psychological and cultural components and this contributes to explain the success of typical products, certified products and, generally, of best quality products.

In the organic extra-virgin olive oil market, prices’ analyses confirmed the peculiarity of the mechanisms and dynamics between the operators in the production process due to the typical configuration of the *market niche*.

To confirm what just said, we have the support of the results of the survey carried out through phone interviews both with companies who work in the production and first transformation industry (34% of organic oil transformers in Apulia was interviewed) and, for the distribution, with some outlets in the province of Bari.

The analyses of the profit-margins made in the different stages in the productive process has highlighted a remarkable disparity between the sale of the product in bulk compared to the bottled one, indicating, in this case, the product inadequate valuation. These difficulties are especially perceived at the stage of production and first transformation when the oil is usually sold in bulk. Only when the producer works also at the bottling (a “*short productive process*”), then he is able to make satisfying profit-margins.