

Prices and added value in organic olive oil's production process

Dott.ssa Miriam Mastromauro – International Observatory on Organic Olive Growing - BIOL

Abstract

For the eight edition of the Biol Prize, the international Observatory on organic olive growing has decided to focus again on the study of the price mechanism of a product so peculiar as organic olive oil.

The value that consumers recognise to organic olive oil is expressed by their disposition to "sustain" a premium price (price differential compared with non organic products), aware of the fact that the product has been obtained following definite rules and in the total respect of the environment.

If we analyse the supply, we have to consider the reduced return compared with non organic products, higher production costs, also in consideration of certification procedures. As for transformation and distribution, processed produce are exiguous, methods of transformations are manual and inefficiency in transportation may occur; moreover, the market is strongly dichotomic with production concentrated in the South and transformation and consumptions in the North.

Food consumption is also determined by strong psychological and cultural aspects and this helps to explain the success of typical products, of certified products and, generally, of high quality products.

In the organic olive oil market, the analyses of prices has confirmed the peculiarity of mechanisms and dynamics between the operators of the production process, resulting from the typical configuration of a niche market.

Organic consumers have worked out an adequate awareness of the peculiarities of organic products compared with non organic ones and we can assert that the disposition to pay more is related to the high quality which consumers see in the latter. But we have to be careful because there is also the bracket of those consumers indifferent to price, as a consequence of a rough knowledge of food retail prices.

The development on a larger scale of organic products' consumption, due to the increase in the goods volumes, will lead to a reduction of the premium price, as it has already happened in other European countries. In the very first months of this year it has been remarked how much the distribution of organic products through the Big Distribution has contributed to move habitual consumers from the specialised.

It is a phenomenon mostly expected and largely accomplished, with the aim, for the Big Distribution, to cover the 50% (European level) of the market by 2005.