Boutique oils versus commodities - a future?

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ISF 2009

Boutique Oils

- Extra Virgin Olive Oils (New World)
- Avocado Oil
- Flaxseed Oil
- Hempseed Oil
- Macadamia seed Oil
- High quality marine oils (60% omega-3)

Commodity liquid oils

- Canola
- Sunflower
- Cottonseed
- Rice Bran
- Imported olive
- Grapeseed

Common issues

- Costs
- Health claims (albeit implicit)
- Pricing
- Distribution
- Marketing
- Branding
- Competition
- Consumer confusion

Competitive factors

- RBD Commodity oils:
- Functionality
- Quality and consistency
- Stability
- Price
- Boutique oils
- Health promises
- Uniqueness and consumer aesthetic appeal

Economic factors

- Generally undercapitalised
- Revenue never hits expectations
- Supermarkets dictate price
- Technically deficient in many cases
- Health claims are hyperbole not based on trials

NZ Extra Virgin Olive Oils

- Still low volume-280 tonne in 2008-2009
- Many small producers, 2 large dominant ones
- High capital and operating costs
- No operational efficiencies
- Low expenditure on marketing
- Far from markets
- Australasia is a very price competitive market

Markets

- Worldwide trade
- Imports
- Pricing vs quality
- Competition and adulteration

Imports 2008 (tonne)

	Aus	NZ
Virgin	15 000	981 (\$5.89)
Non Virgin	22 000	2253 (\$5.00)

Specialty Oils Survey – Tesco UK

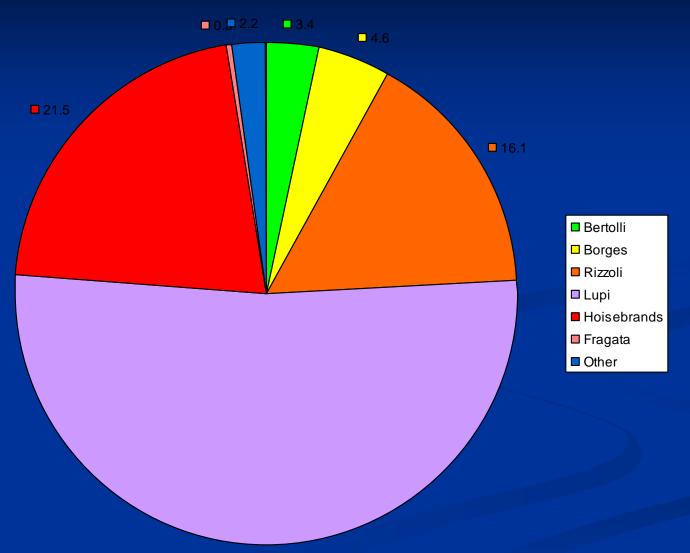
Brand	Oil	Size (mL)	Price (£)	
Berio	Olive	250	1.44	
Berio	Olive – Extra Virgin (Italian)	250	1.54	
Carapelli	Olive – Extra Virgin (Italian)	250	1.58	
Carapelli	Olive – Extra Virgin (Italian)	500	5.98	
Colline Etrusche	Olive – Extra Virgin (Italian)	500	7.99	
Cuisine de Provence	Hazelnut	250	3.99	
International Collection	Sweet Almond	125	0.79	
Macadamia Oils of Australia	Macadamia	175	2.97	
Merchant Gourmet	Austrian Roasted Pumpkin	250	2.98	
Tesco	Olive	500	1.50	
Australian Supermarkets				
Coles EV olive oil	Olive	500	\$5.71	
Cobram Estate	EV olive	375	\$6.53	
Lupi Pur (RBD)	Refined olive oil	500	\$7.60	

Source: Aus/NZ Olive grower Robert Pickles

Per capita consumption of Olive Oil

	kg / year	mL / day
Italy	10.0	30
Greece	18.5	56
Australia	2.0	5.5
UK	0.21	0.6
NZ	0.25	0.8

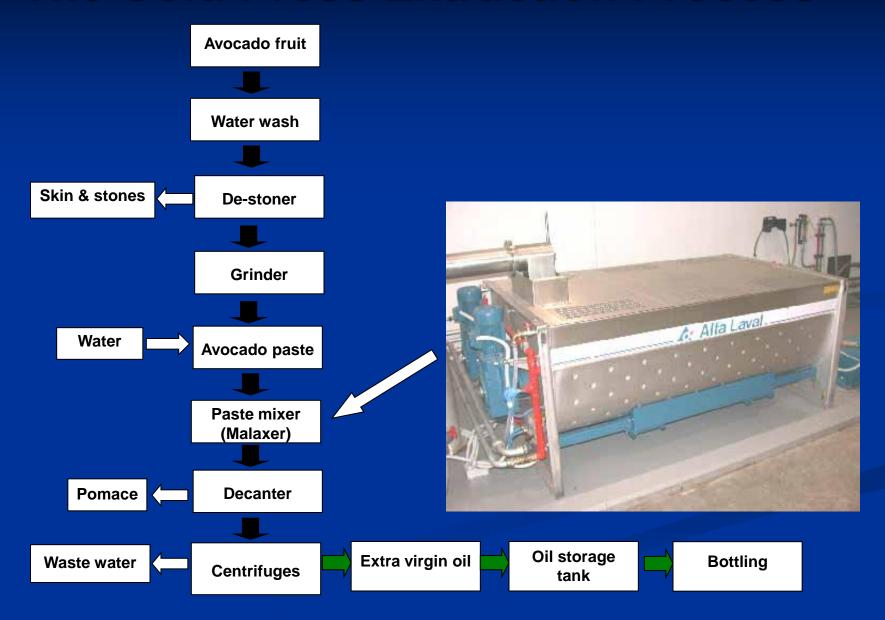
Total NZ Supermarkets Olive Oil Market



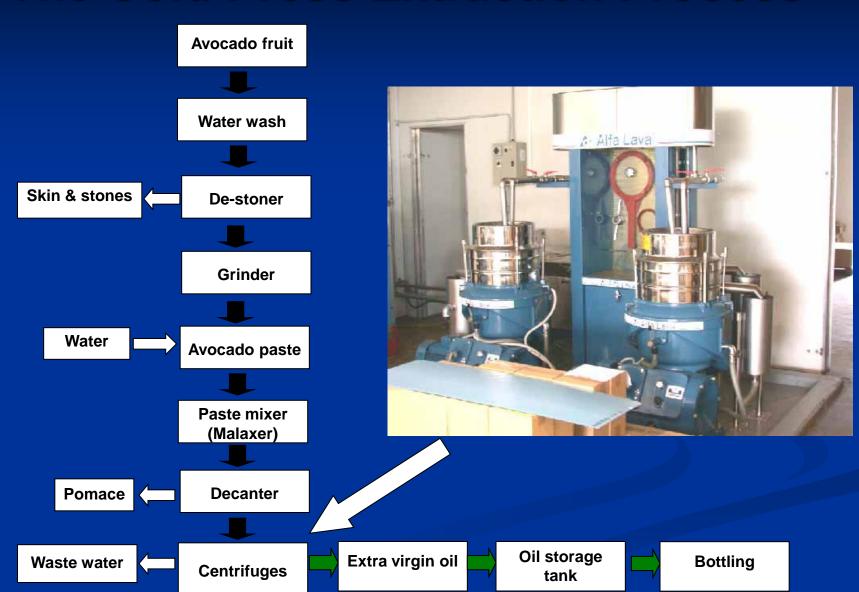
Avocado Oil

- Extra virgin relatively new boutique oil (9 years)
- Low volume excess waste fruit
- Low yields 10 16%
- Tricky fruit to grow in Australasia
- Attributes still not well understood by consumers
- Price driven down in mass outlets

The Cold Press Extraction Process



The Cold Press Extraction Process



Profit and loss account - typical

- Typical volume e.g. 400-1000 tonne
- Typical ex works price: \$20-30 per kg
- Direct costs
- Gross margin
- Overheads and marketing
- Ebit
- Return on capital



The Marketing of Gourmet Food Oils



Price



How much?

- Research category
- Work out your costs
- Decide on a profit margin
- Is that a price the consumer will pay?



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| Port season for proved costly presents — avocado oil for groven and overdose of Christmas cooking. | States, representing 65% of the proved costly of common of the proved costly of the proved costly of common of the proved costly of the province of the proved costly of the province of the

Avocado

Oil

OST-Christmas blues are a hard time for cooks. We have just spent our festive joy slaving over hot stoves and barbecues. We produced beautiful, moist turkeys which people ate in a drunken haze and, rather than admiring our skill, they then spent days whinging about turkey sandwiches for lunch.

Even the clove-studded ham, which took a lot of time to stud, was just consumed by the children who spat the cloves at each other. Christmas was obviously designed by shop

pers rather than foodies, but at least I did receive one decent gift. The new buzz product for foodies is avocado oil. It is produced in New Zealand and has a startling colour and

The lime green colour makes it tempting to just use it as a final garnish and I expect restaurants will be dropping it artistically on to the plate like a sauce or as a dip for breads but I think cold-pressed olive oil

Catching The Oil Wave

xtra virgin oils are in. They've slid onto our shelves and dribbled into our vocabulary. These days a an entirely new food oil product, notching up almost overnight inch of olive oil butts sound remark-ly like their counterparts in the wine wild as they slurp and dip, trading

market success. From a standing start, sales hit \$230,000 in the standing start, sales hit \$4.30,000 in the first month, exceeding all expectations and almost outstripping manufacturing That level of awareness combined with the current health kicks aimed as our collectively expanding butts create

Olivado's avocado ou not only man-aged to capture public imagination but a pretty positive market environment for a new healthy oil. Well, at least, that tor a new neattny oil. West, at teast, that is what Kerikeri-based Olivado figured

aged to calcure panic imagination only is also well en route to capturing its target penetration into the expanding mar-ket for premier food oils-ACCOUNTING MARKETING INFORMATION SYSTEMS MANAGEMENT

initially offered packhouses w did it happen? To understand 70 cents per kilo for fruit ow did it happen? To understand this success story, it's necessary to return to the roots of Olivado, initially return to the roots of olivado, initially which was edible, but not up to retail standards because of reum to the roots of Orivano, intenty established at an olive grove in Kertky to produce whole clives and olive oil. to produce whole olives and olive oil.

It's a popular pastime in New Zealand
these days – in fact the number of Kiwi have now had to up that to 90 cents per kilo to attract these days – in fact the number or Kinyl olive growers has jumped from an esti-mated 30 in 1994 to over 500 in 2001. enough fruit," he says.

The \$3.5 million plant is capable of processing 4000 tonnes (year, but, despite the increased price, Olivado managed to attract nly between 900 and 1000 tonne fruit, which yielded 90 oc

mortage of supply to e local fresh-fruit market. Mr Nathan says his company

oruising or size problems, "We

of avocado oil fetches around SUS6.50 in America. volumes for oil extraction Olivado is ne signing co

States, representing 65% of the proved costly d company

Mr Nathan says higher prices in n fruit into a the US attracted much of the class 2 fruit that would normally be sold in New Zealand, leaving the local market under supplied. Markets then bought lower grade fruit to meet domestic consumer demand,

New Zealand market has figures from a recent MAF survey one a boon for local avocado show the area planted in avocados one a boon for local avocado one aboon for local avocados one a boon for local avocados one avoca

has almost doubled in the past has almost coupled in the past decade, producing 7200 tonnes of fruit in the year to June 2000, more than 5500 tonnes of which was

New Zealand Avocado Industry Council (NZAIC) chairman John White says the most recent harvest yielded nearly 12,000 tonnes of fruit. He says new planting: are expanding at around

500ha per year and will raise harvest volumes further still. The total area planted in avocados was 1300ha in 1992 that figure is now estimated to

have grown to 2600ha. Pressing avocados for oil should help growers by providing an outlet for excess fruit that might otherwise flood the market and reduce overall prices says Mr Nathan We are like a backstop for growers," he says, pointing to a storm last November that rendered 500 tonnes of fruit unfit for sale. Olivado purchased a large proportion

of the damaged crop for oil extraction. Mr White agrees, he says the NZAIC is encouraging growers to supply fruit for oil production in order to increase

their overall crop value. The lack of supply in New Zealand has meant Olivado has had to expand its operations to Australia. \$11.7 million dollars is to be invested in a processing plant in south-east Queensland, where 60% of Australia's

avocado crop is grown. The new plant is scheduled to open next March and will be capable of extracting oil from up to 38,000

roduct is endorsed by trendy

knowing what to do with the end product, he says. "We did it the other way and said. 'These are the products we want to make.

second-grade fruit. It cost \$4-5 million to establish the company including a purpose built Tuscan-style factory in

Northland capable of producing up to 1.5 million litres of oil a year.

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100,000 new planting's

joining the existing avo-

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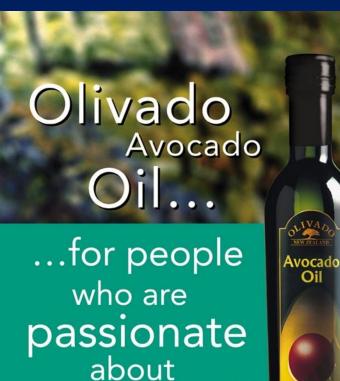




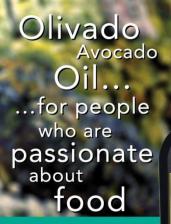
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thef Jamie Oliver and features in

Point of Sale







Olivado's award-winning avocado oil is made from quality avocado, using traditional cold pressed extraction methods, to premium Extra Virgin standard. The quality is likened to the very best estate-produced olive oils

To enhance quality, Olivado developed a unique, completely natural finishing process that ensures that our Extra Virgin avocado oil stands head and shoulders above the rest, both in taste and long life.

Olivado is good for you, too. It's a monounsaturated oil, the type recommended by nutritionists for balanced diets. With high Vitamin E and Beta Sitosterol values, Olivado avocado oil can play a role in reducing cholesterol in your bloodstream, contributing to a healthy heart.





food









Hempseed Oil

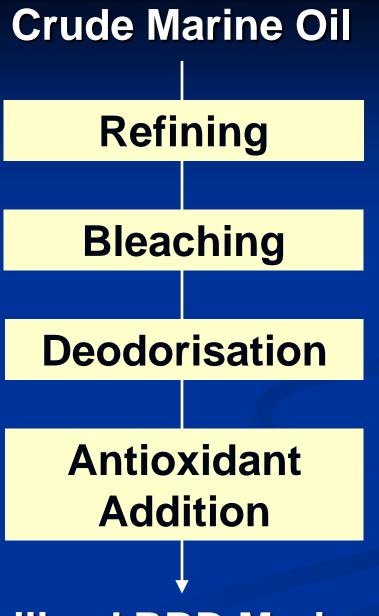
- Poor choice for branded name
- Stigma of origin
- Unrefined oil has poor taste
- Low quantities, insufficient marketing
- Legislative opposition

Flaxseed Oil

- Cold pressed linseed oil
- Marketed on the basis of high in omega-3 ALA
- Alpha-linolenic acid (ALA) does not convert to docosahexaenoic acid (DHA) at levels that confer any physiological benefit (ISSFAL)
- Retail oil has short shelf life and often reverted flavour - limited applications

High Quality omega-3 marine oils

- 30 years of RBD 18:12 fish oils
- Issues with contaminants, oxidised species and low levels of LCPUFA (< 30%)
- Advent of concentrates (60%)
- TAG vs esters vs phospholipids
- EPA, DPA or DHA
- Commodity pricing
- Entry of Krill oil



Stabilised RBD Marine Oil

Marine Oil Market

- Previously boutique, now a mainstream commodity
- Quality varies enormously oxidation
- Large players dominate
- Points of difference hard to pinpoint
- Need specialist plant molecular distillation or short path high vacuum deodorisers

Summary

- Most boutique oil companies are undercapitalised - lifestyle rather than profit driven
- Sales revenues are optimistic
- Flavour is overpromised
- Pricing driven down by supermarkets
- Costs high due to no economies of scale
- Working capital soon exhausted
- ROI never usually met
- Why do it???