

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

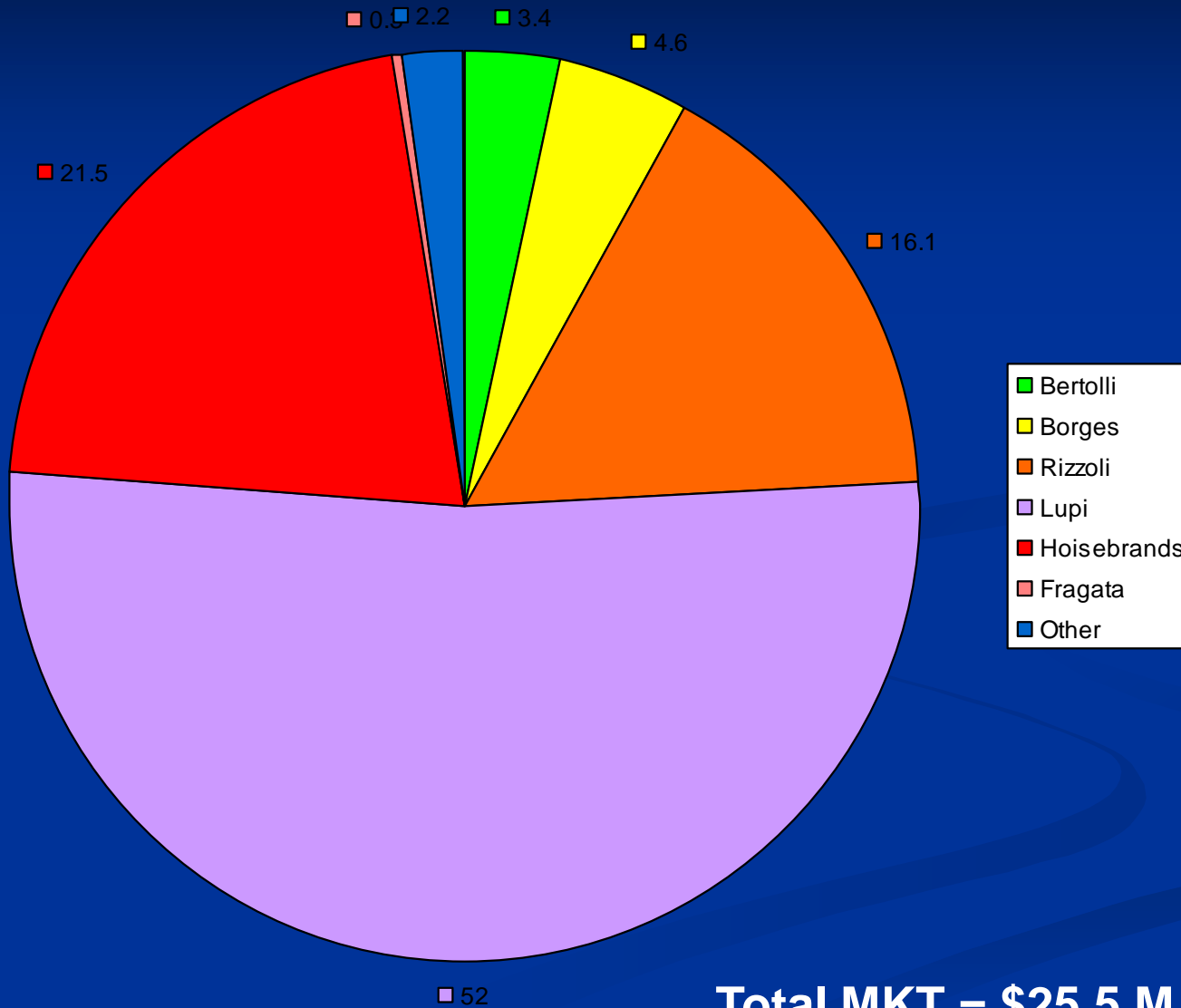
Brand	Oil	Size (mL)	Price (£)
Berio	Olive	250	1.44
Berio	Olive – Extra Virgin (Italian)	250	1.54
Carapelli	Olive – Extra Virgin (Italian)	250	1.58
Carapelli	Olive – Extra Virgin (Italian)	500	5.98
Colline Etrusche	Olive – Extra Virgin (Italian)	500	7.99
Cuisine de Provence	Hazelnut	250	3.99
International 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

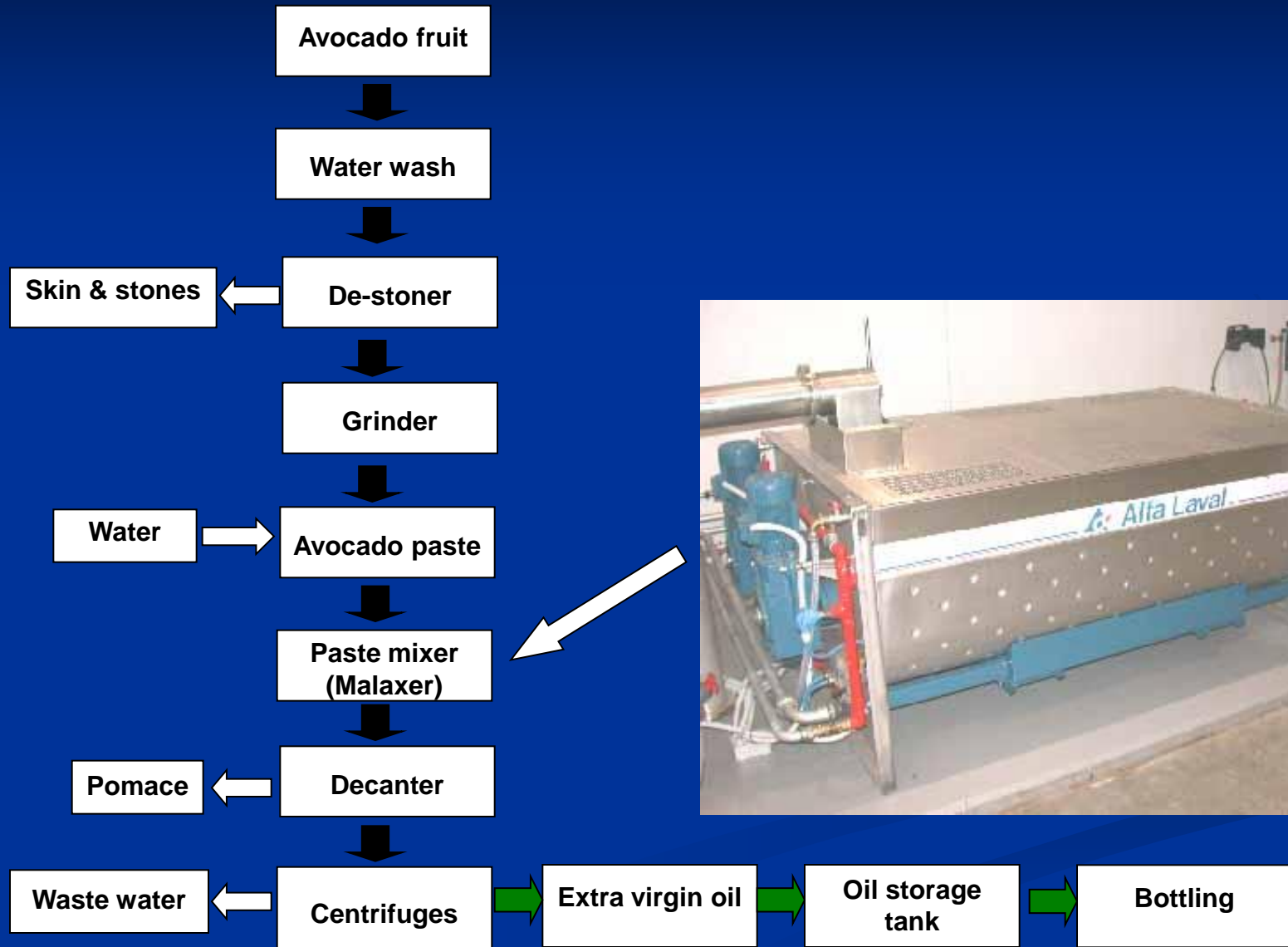


Total MKT = \$25.5 M in 2003

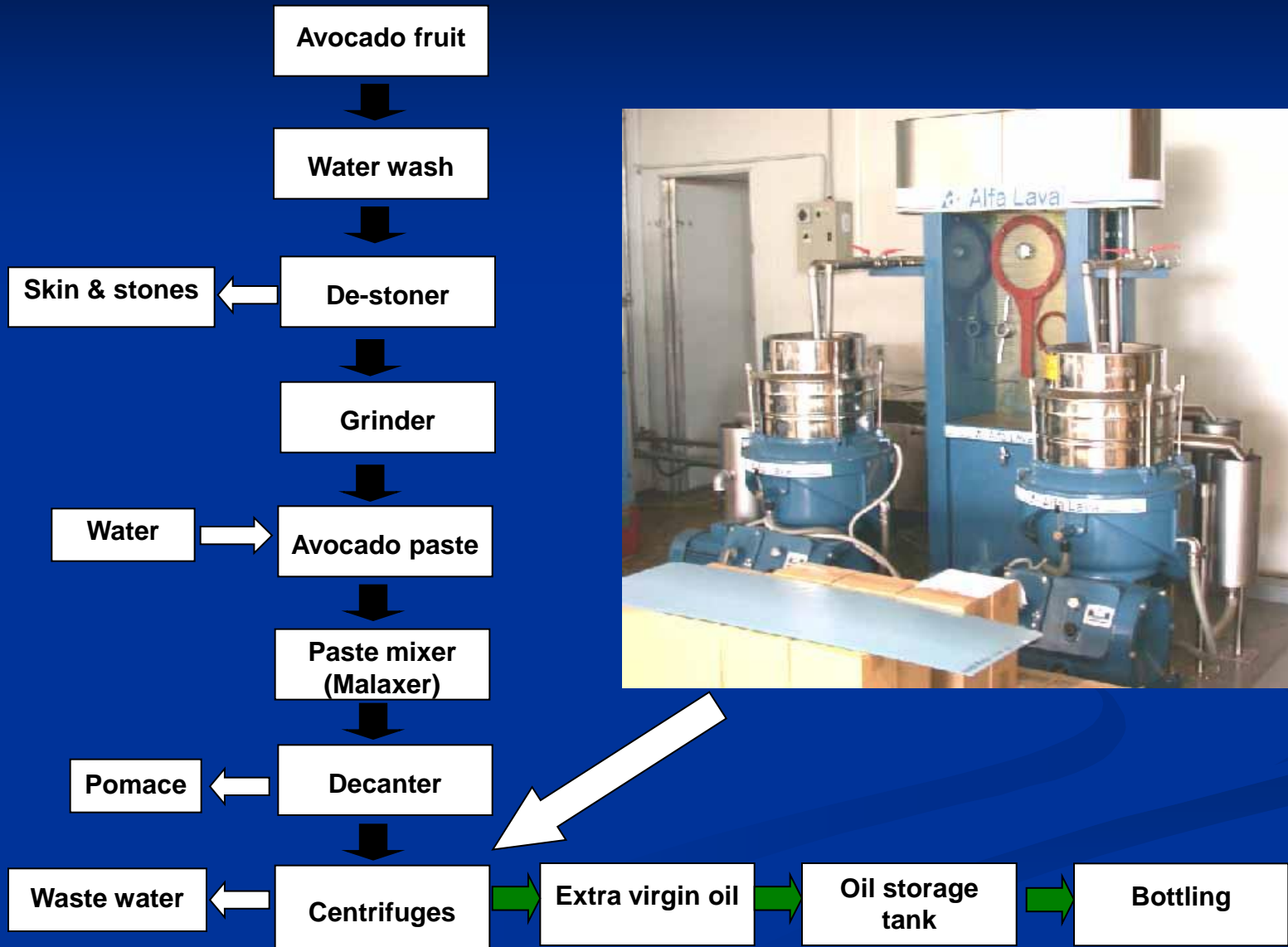
Avocado Oil

- 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



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GOURMET FOODS

Price

How much?

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



THE GOOD OIL

Decade oil finds popularity in US

times this season. Dawson, who joined the business in 1970, says that up to 10% of Tag 3 are avocado.



THE NEXT “IT”

When your product is endorsed by trendy chef Jamie Oliver and features in Coke's latest advertising, you

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. ... them?'"

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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Point of Sale

Olivado
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Oil...

...for people
who are
passionate
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passionate
about food



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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 from Southern Europe.

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.



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

Crude Marine Oil

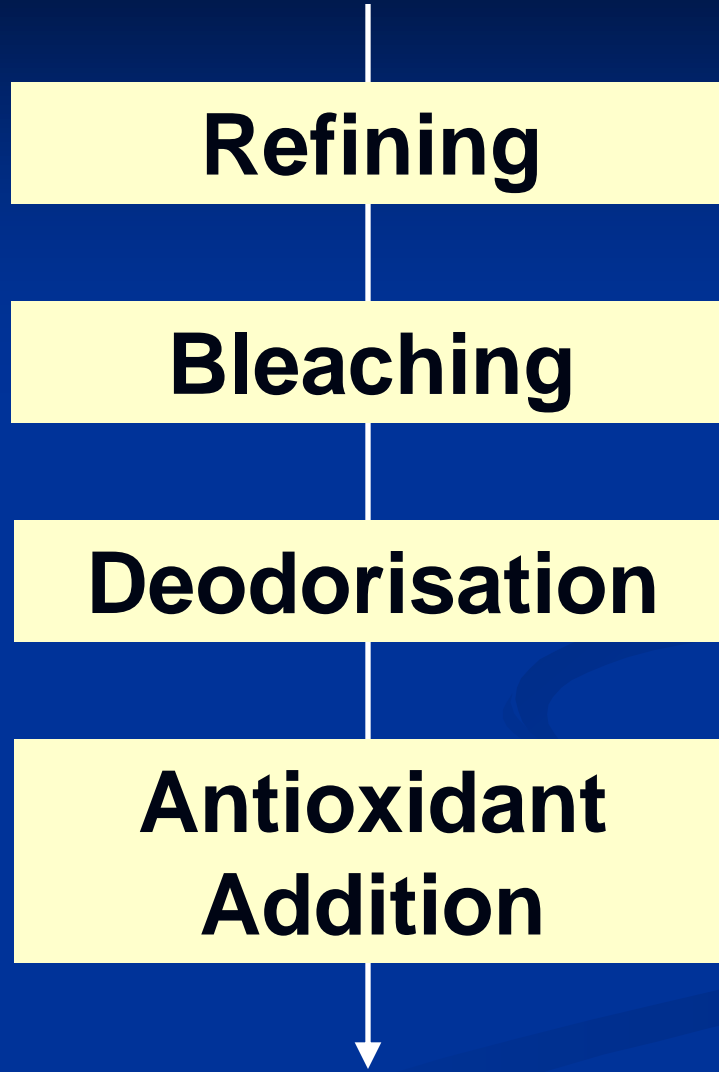
Refining

Bleaching

Deodorisation

**Antioxidant
Addition**

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???