THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY

OLIVE OIL

SECTOR EXPORT STRATEGY 2014-2018

فلسطين
وزارة الاقتصاد الوطني الفلسطينية
Ministry of National Economy

International Trade Centre

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This document represents the ambitions of the private and public stakeholders who dedicated long hours to define the enhancements and future orientations for the sector to increase its export performance and growth (full list of stakeholders in Appendix 1).

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ACRONYMS

B2B	Business to Business
EU	European Union
FPCCIA	Federation of Palestinian Chambers of Commerce, Industry, and Agriculture
GAP	Good Agricultural Practices
GCC	Gulf Coast Countries
GDP	Gross Domestic Product
GMP	Good Manufacturing Practices
HS	Harmonized System
ISO	International Organization for Standardization
ITC	International Trade Centre
KSA	Kingdom of Saudi Arabia
LAS	League of Arab States
MFN	Most Favoured Nation
MoA	Ministry of Agriculture
MoNE	Ministry of National Economy
NES	National Export Strategy
NGO	Non-Governmental Organization
PNA	Palestinian National Authority
PACU	Palestinian Agricultural Cooperative Union
PalTrade	Palestine Trade Centre
PARC	Palestinian American Research Centre
PCBS	Palestinian Central Bureau of Statistics
PEC	Palestinian Export Council
PFI	Palestinian Federation of Industries
PFIU	Palestinian Food Industries Union
PoA	Plan of Action
POOC	Palestinian Olive Oil Council
PPU	Palestine Polytechnic University
PSI	Palestine Standards Institution
SME	Small or Medium Enterprise
TSI	Trade Support Institution
TSN	Trade Support Network
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
UAWC	Union of Agricultural Work Committees

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EXECUTIVE SUMMARY

CURRENT CONTEXT

In this century, the global export market for virgin olive[1] oil has boomed, nearly tripling in value between 2001 and 2008. However, despite being one of the world's leading producers the State of Palestine has not enjoyed remotely proportionate export growth. Producer deficiencies in product research, production capacity, quality management, branding, and market knowledge limit their ability to export competitively. However, Palestinians have a long, intimate history with the olive tree and enjoy advantages in terms of olive varieties, resource quality, the existence of numerous modern olive mills, cooperatives with some success in export development, and organic production. With targeted government and donor assistance, a great deal could be done to remedy the enterprise level deficiencies, as well as to create a more enabling environment for export success through the strengthening of publicly provided trade information, quality management, access to finance, and trade logistics.

Inaction, on the other hand, could pose a serious threat to the Palestinian economy and especially the approximately 100,000 Palestinian families whose livelihoods depend, to one degree or another, on the olive harvest.[2] Today Palestinian olive oil satisfies all but a negligible amount of the 12,000 tonnes consumed by Palestinians in an average year.[3] Rather than simply perpetuate the status quo, a failure to raise the international competitiveness of Palestinian olive oil could see domestic producers threatened by imports, a reality already observed by the Palestinian National Authority (PNA) Ministry of Agriculture.[4]

EXPORT PERFORMANCE

Palestinian olive oil is largely consumed domestically, and in 15 of the last 20 years domestic supply has fully satisfied domestic demand. Excess supply has been exported and imports have been negligible. The chief destination for the State of Palestine's excess supply – about 4,000 tonnes on average per year – had long been Israel, accounting for two-thirds of Israel's imports of olive oil on average. However, this export market has been weakened since the beginning of the second intifada in 2000 and appears to be at an all-time low.

In 2007 and 2008, Israel was still by far the State of Palestine's biggest export market for olive oil, importing an average of 890 tonnes, which was three to four times as much as the State of Palestine's next biggest market. In 2009 and 2010 the shortfall of Israeli production was the greatest in recent history, yet recorded Palestinian imports were only 23 tonnes, or 0.5% of the total.

The State of Palestine's other top export markets display high variability from year to year, suggesting a low survival rate of export relationships. For example, the United Arab Emirates (UAE) was the top market in 2011 and number four in 2009, but it imported nothing in 2010. In the period 2007-2010, 31 countries imported Palestinian olive oil, but well under half of them did so in all four years. Of the 23 countries that the State of Palestine exported to in 2010, seven imported nothing in 2011.

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1. This strategy deals with virgin olive oil, which for simplicity is referred to hereafter as 'olive oil'. Virgin olive oil bears the code 150910 under the Harmonized System (HS) of tariffs, and is defined by the International Olive Council as 'the oils obtained from the fruit of the olive tree solely by mechanical or other physical means under conditions, particularly thermal conditions, that do not lead to alterations in the oil, and which have not undergone any treatment other than washing, decantation, centrifugation and filtration'. This includes the designations 'extra virgin', 'virgin', and 'ordinary virgin'. It excludes 'refined olive oil' and 'olive oil', which is a blend of virgin and refined.

2. World Bank (2013). Brief Overview of the Olive and Olive Oil Sector in the Palestinian Territories. West Bank and Gaza Programme. Available from http://go.worldbank.org/MBK9GU1TD0.

3. Average based on annual data from 2002 to 2011. Source: International Olive Council (2013). World Olive Oil Figures –Consumption. Available from http://www.internationaloliveoil.org/estaticos/view/131-world-olive-oil-figures.

4. Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft)*, p.16.

OPTIONS FOR FUTURE DEVELOPMENT

In order to realise the export potential and increase the export competitiveness of the Palestinian olive oil sector, the following vision has been proposed:

> *To attain global recognition and corresponding export volumes as the only source for olive oil that is both of world-class quality and overwhelmingly organic.*

To achieve this vision, the strategy will reduce the binding constraints on trade competitiveness and capitalize on strategic options identified for the Palestinian olive oil sector. The strategic orientations for the next five years aim to develop key markets in the short and medium terms for Palestinian exporters, and facilitate structural changes in the value chain to increase its efficiency and value generation for the State of Palestine.

The short-term market development will focus on selected products in such target destinations as the UAE, Saudi Arabia, the United States of America, Canada and Kuwait. In the medium term, the strategy will enable exporters to expand their export reach – through better branding, quality certification, and more cost-efficient production – to large but slow-growing markets such as Italy, France, Germany, and the United Kingdom of Great Britain and Northern Ireland. It will also allow them to compete in more exotic but booming markets such as Brazil and China.

To achieve efficiency gains in the sector's value chain, structural improvements are needed in the use of agricultural equipment and related services, and the sector's linkages to training institutions, capacity to manufacture alternative products like soap and cosmetics, and use of female workers.

ROADMAP FOR SECTOR DEVELOPMENT

The sector strategy vision will be achieved through the implementation of the sector's plan of action (PoA). The PoA revolves around the following four strategic objectives, each spelling out specific sets of activities intended to address both challenges and opportunities facing the sector.

1. Enhance the capacities of the olive sector to serve international markets in quantity and quality.
2. Enhance the capacity of the sector to process high quality and varied products responding to market demands and requirements.
3. Increase the organization and management of the sector to structure its development.

- Increase visibility and promotion of olive sector products to increase accessibility and competitiveness in target markets.

TARGET MEASURES

If the sector's PoA is fully implemented, the sector should expect to meet the following key targets in 5-7 years, as defined by the sector exporters:

- Increase average annual olive oil production – currently 16,000 tonnes – by 10% per year, doubling it by 2020;
- Counteract the 'alternate-bearing' phenomenon in olive production, so as to stabilize annual production. Half of this would go to the domestic market and the other half would create a consistently exportable surplus of about 16,000 tonnes (note: current domestic consumption is 12,000 tonnes and expected to grow);
- Get at least 50% of organic olive oil exports internationally certified as such.
- Increase overall exports by 10% to GCC and the EU 27 respectively to capitalise on the high growth dynamics and the strong position of Palestinian olive oil on GCC markets and to benefit from a strong growth potential in the EU.
- Increase exports to the US and Canada by 30% to respond to a growing and sustained demand and to benefit from the still untapped growth potential.
- Enter 3 new markets: Japan, Malaysia and Brazil.

IMPLEMENTATION MANAGEMENT

The achievement of these ambitious targets will require continuous and coordinated efforts from all relevant private and public stakeholders, as well as support from key financial and technical partners, donors and investors. Several institutions are designated to play a leading role in the implementation of the sector PoA and bear the overall responsibility for successful execution of the strategy. They will be assisted by a range of support institutions that are active in the olive oil sector. Each institution mandated to support the sector's export development is clearly identified in the strategy PoA. Moreover, the proposed Palestinian Export Council (PEC) and its Executive Secretariat will play a coordinating and monitoring role in the implementation of the strategy in the overall framework of the National Export Strategy. In particular, PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders.

Box 1: Methodological note

The approach used by ITC in the strategy design process relies on a number of analytical elements such as value chain analysis, trade support network (TSN) analysis, problem tree, and strategic options selection, all of which form major building blocks of this sector export strategy document.

Value chain analysis
A comprehensive analysis of the sector's value chain is an integral part of the strategy development process. This analysis results in the identification of all players, processes and linkages within the sector. The process served as the basis for analysing the current performance of the value chain and for deliberating on options for the future development of the sector.

The analysis charts the main stages involved in the sector's export process, from inputs sourcing to distribution in market segments. This is followed by the identification of key stakeholders, which includes not just the primary players (e.g. producers, processors, distributors etc.) but also those fulfilling support functions with direct linkages to the primary players. These support services include input providers (seed suppliers, equipment suppliers etc.), transportation service providers, packaging houses, and financial service providers, among others.

TSN analysis
The trade support network comprises the support services available to the primary value chain players discussed above. It is comprised of policy institutions, trade support organizations, business services providers and civil society. An analysis of the quality of service delivery and constraints affecting the constituent trade support institutions (TSIs) is an important input to highlight gaps in service delivery relative to specific sector needs. A second analysis of TSIs assessed their *level of influence* (i.e. their ability to influence public policy and other development drivers in the country and therefore make things happen or change) and their *level of capacity* to respond to the sector's needs.

Problem tree analysis
The problem tree analysis used is based on the principles of root cause analysis and the Pareto principle. The reason for using the problem tree exercise is to gain a deeper understanding of *what* is causing the high level constraints, and *where* solution-seeking activities should be directed. This exercise involves a two-step process.

- First the value chain analysis, surveys, and consultations with key public and private stakeholders identify constraints affecting sector-specific export value chains. These constraints are abstract and a more thorough breakdown is required to identify the specific root causes of constraints. Multiple levels of root causes are identified for each high-level constraint.
- Second, the problem tree uses the Pareto principle to identify critical root causes in the problem tree. This is especially important for resource limitations that usually exist during the strategy implementation phase. Therefore focus is needed on the 20% of the root causes which result in 80% of constraints affecting the sector. Critical paths through the problem tree are charted to discover the most significant root causes constraining the sector.

These steps resulted in a comprehensive problem tree detailing the constraints affecting the sector's export value chain, along with characterisations related to the types, granularity and intensity of the root causes. The problem tree then guides the design of the solution-seeking phase of the strategy.

Defining where we want to go
The strategic options for the development of the sector are reflected in the future value chain, which is the result of consultations, surveys and analysis conducted as part of the sector strategy design process. The future perspective has two components:

- A market-related component involving identification of key markets in the short and medium- to-long term for Palestinian exporters, and;
- Structural changes to the value chain that result in either strengthening of linkages, or introduction of new linkages.
- Both components are integral parts of the future value chain, which is the basis of the strategic plan of action developed for the sector.

Source: © Paltrade.

INTRODUCTION

The olive tree has deep roots in the history and culture of the State of Palestine. Its fruit and oil, which has been extracted in the region for more than 3,000 years, are staples. In a region known for olives and olive oil, the State of Palestine is generally considered to have the highest quality. The trees themselves are often hundreds of years old, making them a favourite symbol of Palestinians, who pride themselves on resilience. The longevity of the trees means that they can be passed from generation to generation, sometimes giving trees personal significance, which is deepened by the custom of harvesting olives as families and communities.

The appropriateness of agriculture as a strategic sector was debated in the 1990s, as the world shifted towards a knowledge economy in the information age. However, Israeli restrictions on land and movement imposed after the beginning of the second intifada in 2000 have raised the priority of issues such as food security and employment. This has solidified agriculture as a strategic sector for the PNA.

Approximately 183,000 hectares of land are used for agriculture, and nearly half of that is used for olive trees. Individual olive trees naturally produce large yields and small yields in alternate years. The consequent volatility in output can be mitigated with farming techniques that narrow the gap between a tree's large- and small-yield years, as well as by setting half of an olive grove to be most productive in odd-numbered years and the other half in even-numbered years. However, the use of such techniques is limited by the knowledge of the State of Palestine's mostly small-scale olive growers and the inaccessibility of many olive trees for regular maintenance.

Of the State of Palestine's agricultural lands, 63% are in areas designated as 'under full Israeli control' and only 18% are under full Palestinian control. This means that movement is severely restricted, with permits to visit olive groves often being denied outside of harvest time. Culturally, this has made olive trees a symbol of the Israeli-Palestinian conflict. Practically, this means that a high degree of volatility remains in the annual yields of olives and, therefore, olive oil.

Olive oil is the primary fat consumed in the State of Palestine,[5] and per capita domestic consumption was at about 3.5 kg per year in 2011. In most years domestic demand is fully satisfied by domestic production. Excess supply may be exported but most olive oil vendors are traditional merchants or wholesalers who focus on the domestic market. As of 2012, there were only nine exporting companies.[6]

Between 2007 and 2010, virgin olive oil was the country's fourth largest export at the HS-6 level, earning US$ 11.1 million per year, or 2% of total export earnings. The three products that beat it are two kinds of cut building stones and remelting scrap ingots.

Employing large numbers of unskilled labour and approximately 15% of working women, olive oil has attracted much attention from international development agencies and non-governmental organizations (NGOs). In the years 2008-2010, for example, the sector saw at least US$ 10 million in technical assistance projects from the European Union (EU), the French Development Agency, and the Swiss Agency for Development and Cooperation. This attention and funding persists today, providing a significant resource for development of the sector, as well as a tremendous challenge to avoid potential duplication and cross-purpose work.

5. World Bank (2013). Brief Overview of the Olive and Olive Oil Sector in the Palestinian Territories. West Bank and Gaza Programme. Available from http://go.worldbank.org/MBK9GU1TD0

6. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*

Source: © PalTrade

WHERE WE ARE NOW

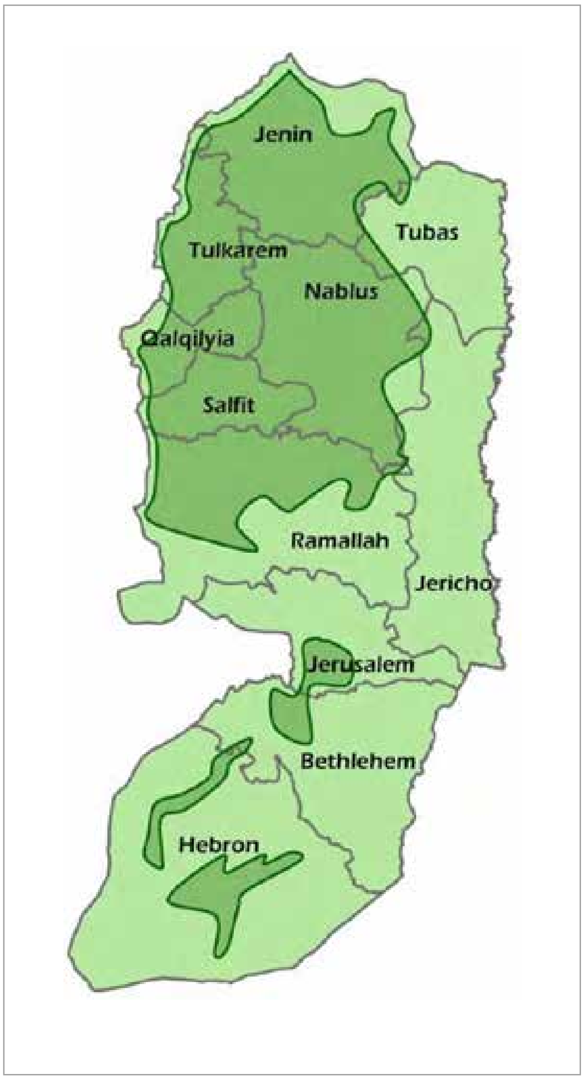
STRUCTURE OF THE SECTOR

Olive and olive oil production in the State of Palestine is concentrated in the north and northwest of the West Bank (see figure 1), where soil and climate conditions are most favourable. Olives are cultivated throughout the State of Palestine, but planting density can approach a high of 200 trees per hectare in the northern half of Ramallah governorate and nearly all of Jenin, Nablus, Tulkarem, Qalqilyia, and Salfit governorates.[7] Only 8% of the State of Palestine's agricultural land is in Gaza, and its climatic conditions are not conducive to the higher planting densities of the West Bank.

Between 80,000[8] and 100,000[9] families are said to rely on olives and olive oil for primary or secondary sources of income. Among these are about 49,000 families cultivating olives, who on average have 163 olive-bearing trees on 0.9 hectares of land.[10]

The overwhelming majority of cultivated land greatly underperforms in terms of productivity because of a lack of irrigation. Figure 2 vividly illustrates the degree to which irrigated lands out-produce rain-fed lands. Protected irrigation is used on 2.3% of cultivated lands but accounts for nearly half of all plant production, while rain-fed crops use 87% of the land but account for less than a quarter of plant production.11 Productivity is further hampered by the general non-use of fertilizers and pesticides, many of which are banned from import by Israel because of their alternate use in making explosives.

Figure 1: *Most productive regions of the West Bank for olive cultivation (more productive regions in darker green)*



Source: Qutub, et al. (December 2010). *Characterisation of the Main Palestinian Olive Cultivars and Olive Oil.* EU/AFD.

7. Qutub, et al. (December 2010). *Characterisation of the Main Palestinian Olive Cultivars and Olive Oil.* EU/AFD.

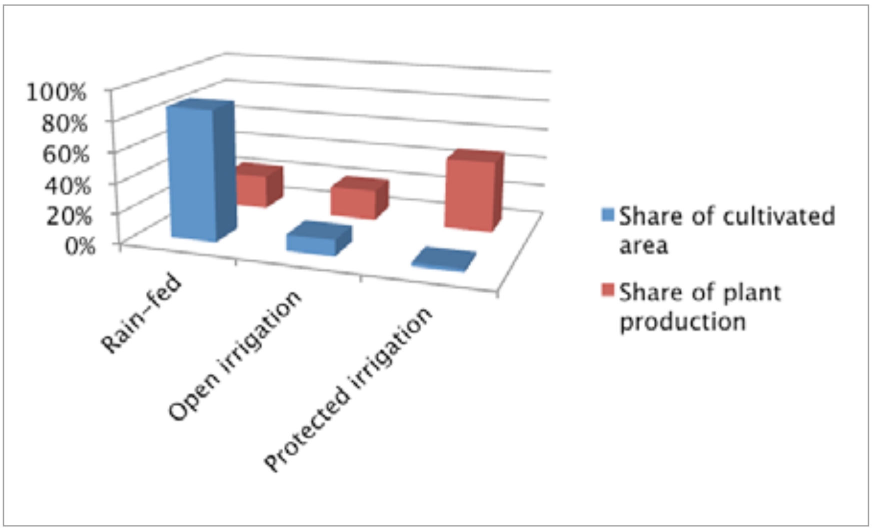
8. United Nations Office for the Coordination of Humanitarian Affairs (OCHA) (October 2012). *OCHA Olive Harvest Fact Sheet*.

9. World Bank (3 June 2010). IFC Supports Growth of Palestinian Olive Oil Industry. Available from http://ifcext.ifc.org/IFCExt/pressroom/IFCPressRoom.nsf/0/DA227990E7D79526852577370057C822?OpenDocument.

10. Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft)*.

11. Spanish Agency for International Cooperation (2007). *A Review of the Palestinian Agricultural Sector*, p. 4.

Figure 2: *The relative productivity of Palestinian agricultural lands, based on method of irrigation*



Source: Spanish Agency for International Cooperation (2007). *A Review of the Palestinian Agricultural Sector.*

Harvesting typically occurs between mid-October and mid-December and is mostly conducted manually, which can involve knocking olives out of trees with sticks. This increases the labour costs and quality-diminishing bruising of the fruit. There are 35 olive-focused cooperatives in the West Bank, including 28 in the north, but none in the Gaza Strip.[12] Ninety-five per cent of olives are used for olive oil.[13] The entire olive sub-sector, which includes olive oil, table olives, pickles, and soap, is worth US$160 to US$191 million in good years.[14]

As of late 2011 there were 272 olive mills operating in the State of Palestine, 88% of which were fully automatic. They employed 1,326 people, 71% of whom were waged workers earning about US$1,000 each.[15] On average, each mill handles olives for 300 hectares of olive groves. Collectively, they pressed about 94,000 tonnes of olives into 21,000 tonnes of olive oil for a ratio of 4.5:1, which was only slightly less productive than 4.28:1, the average ratio between 2002 and 2009.[16] Eleven companies working in oil packaging and marketing offer 2,500 tonnes of storage space, mostly in quality-preserving stainless steel tanks, but along most of the value chain inappropriate storage is used, damaging the final quality.[17]

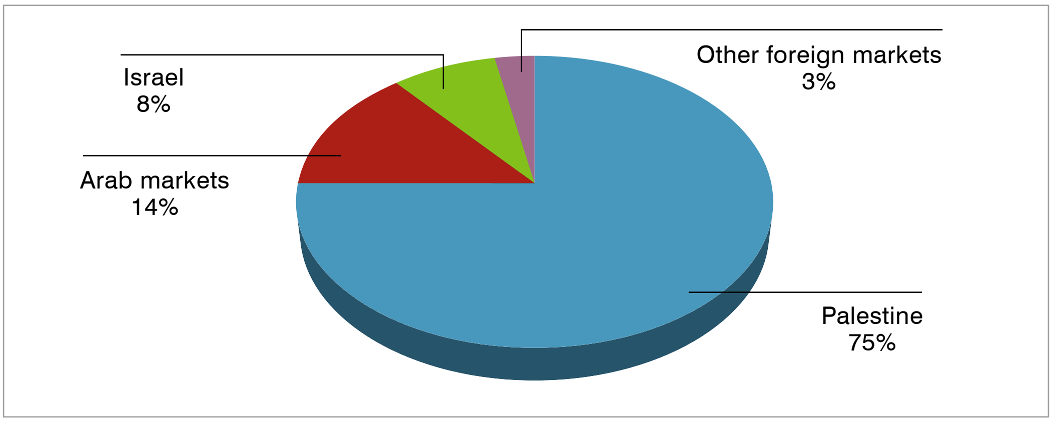
12. Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft)*.
13. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*
14. *Ibid.*
15. Palestinian Central Bureau of Statistics (PCBS) (2012). *Olive Presses Survey 2011*. Main findings.
16. Based on ITC calculations of PCBS and Ministry of Agriculture data as cited in Qutub, et al. (December 2010). *Characterisation of the Main Palestinian Olive Cultivars and Olive Oil.* EU/AFD.
17. Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft)*.

Table 1: *Profile of Palestinian olive presses, 2007-2010 (quantity in tonnes; value in US$ thousands)*

Indicator	2007	2008	2009	2010	2011*
Number of operating olive presses	224	264	235	276	272
Quantity of olives pressed	36 032.7	76 387.8	19 860.4	102 161.9	93 565.7
Quantity of oil extracted	8 869.7	17 583.9	4 771.3	23 754.0	20754.0
Number of persons engaged	1 100	1 375	892	1 523	1 326
Number of waged employees	748.0	1 028	490	1 136	939
Compensation of employees	499.0	899.1	336.6	1 137.1	1 000.0
Olive press revenues	4 935.6	7 799.9	2 959.3	11 177.6	
Value added	3 204.8	5 217.7	1 778.9	7 983.2	7 000.0
Gross fixed capital formation	3 731.7	7 017.8	1 261.3	7 285.9	

*Rough figures taken from: PCBS (2012). *Press Release on Olive Press Survey in the Palestinian Territory, 2011.*
Available from http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/OlivePrsSurv2011E.pdf

Figure 3: *Typical distribution of markets for Palestinian olive oil*



Source: ITC calculations using median numbers of ranges provided by: Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft).*

Domestic consumers typically purchase olive oil once a year in 16 kg tin or plastic containers, rather than bottled and labelled as is common in international markets. The bottles and labels needed to package and market olive oil according to international norms and national standards are not produced in the State of Palestine. Therefore, exporters must import Israeli bottles and roll labels, which account for approximately 25% of their total industrial inputs and significantly raise the price of their exports.

According to estimates from the Ministry of Agriculture (MoA), in a typical year approximately 75% of the sector's product is absorbed into the domestic market. Of the remainder, 14% is exported to Arab markets and 8% goes to Israel. Only 3% is exported to leading and emerging global markets, which are all outside of the region.

The successful advent of cooperatives is given some credit for bringing costs down and raising quality. Olive mills typically do not make a pressing run with less than 300 kg of olives, which may take an individual family days to collect. That time between harvesting and pressing reduces the quality of the oil and can mean the difference between 'virgin' and 'extra virgin' classifications, as well as the corresponding premium price. On the other hand, a cooperative of farmers can deliver enough olives for a daily run. In recent years, 'premium' virgin olive oil has exceeded a record 35% of total Palestinian production.18

However, the overall cost structure of Palestinian olive oil production, in particular its high labour, transportation, and transaction costs, still makes it relatively more expensive than regional competitors. Palestinian olive oil is 10%-15% more expensive than Syrian and 35%-40% more expensive than Turkish.19 Although this puts it at a disadvantage in mass markets, Palestinian olive oil benefits from several marketing advantages, including:

- A reputation for high quality;
- Organic production;
- Attractiveness to the fair trade market.

The structure of the Palestinian olive oil sector creates several cost disadvantages for potential exporters. Under the status quo, these lead us to look for growth in higher-margin niche markets rather than traditional mass markets similar to the Palestinian and Israeli markets. These niche markets include markets for organic olive oil and fair trade olive oil.

The cost disadvantages come from circumstances and the use of methods that create suboptimal production yields; labour costs; and transportation costs. Some of these are within the capacity of the PNA and the international community of donors and NGOs to address; some are not. This strategy lays out a plan of action for addressing those that are, so as to increase the range of markets in which Palestinian exporters might compete.

INVESTMENT NEEDS OF THE SECTOR

Producer deficiencies in product research, production capacity, quality management, branding, and market knowledge limit their ability to export competitively. However, Palestinians have a long, intimate history with the olive tree and enjoy advantages in terms of olive varieties; resource quality; organic production; the existence of numerous modern olive mills; cooperatives with some success in export development; and the keen interest of the international donor community. With targeted government and donor assistance, a great deal could be done to remedy the enterprise level deficiencies, as well as to

18. *Ibid*.

19. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*

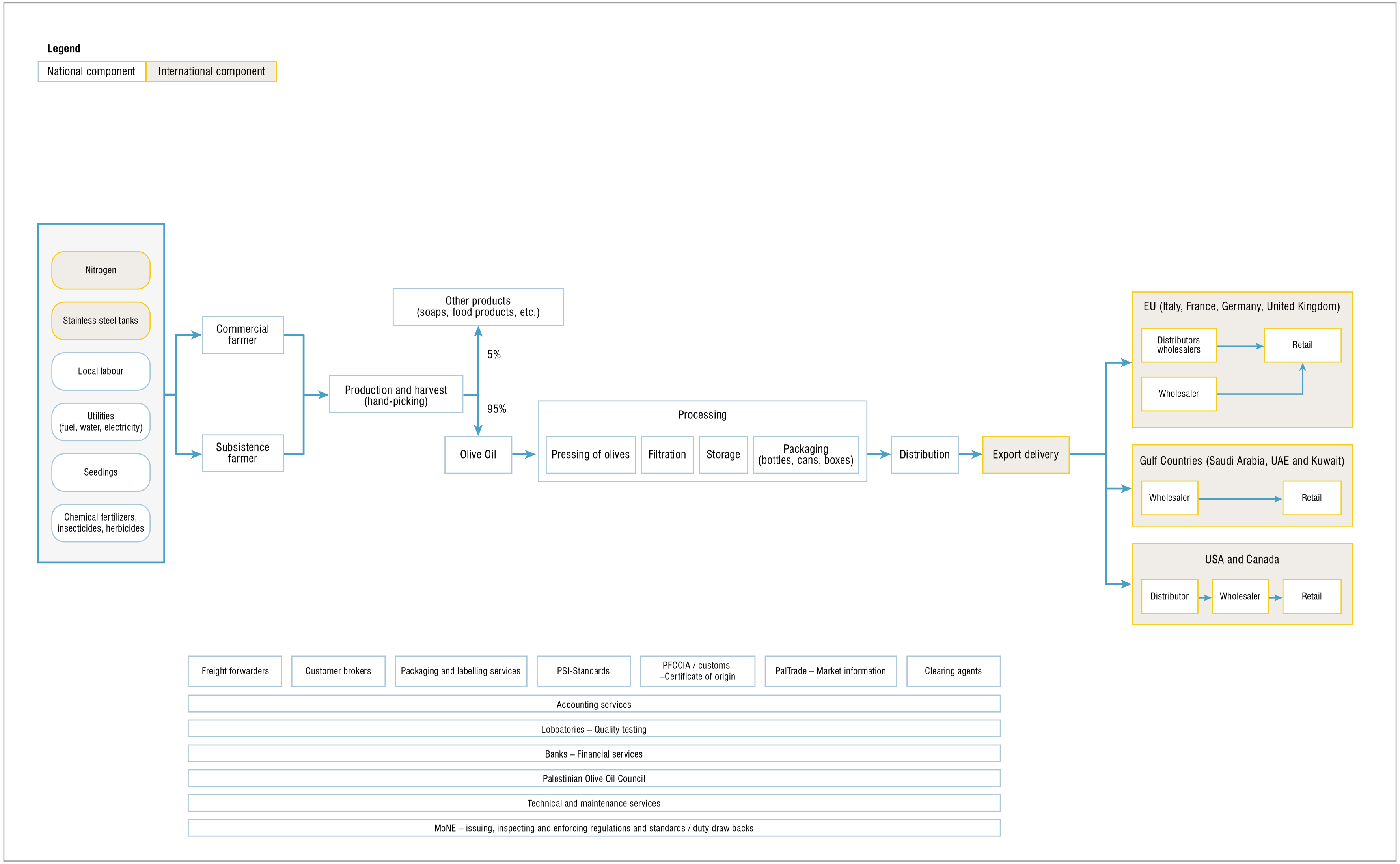
create a more enabling environment for export success through the strengthening of publicly provided trade information, quality management, access to finance, and trade logistics.

This would stimulate the private investment needed from entrepreneurs at all links of the value chain to dramatically transform the reliable quantity and certified quality of Palestinian olive oil. Only with these dramatic transformations will the State of Palestine fully realize its potential to become a major global player in the sector. The parts of the value chain at which private and public investment could have the largest impacts are:

- Product development: research of new seed varieties, higher-yielding production techniques, and more desirable organoleptic profiles;
- Production: irrigation systems, mechanized harvesting and quality-preserving storage;
- Quality assurance and certification: farmer training, quality assurance systems and equipment, and financing of certification;
- Branding: coordinating, designing, and implementing a branding campaign;
- Market development: obtaining critical market intelligence and financing export promotion activities abroad.

Source: © PalTrade

FIGURE 4:VALUE CHAIN OPERATIONS



INPUT SOURCING

The olive oil sector relies primarily on the seven following types of inputs:

- Seedlings: purchased from nurseries for the planting of new olive trees;
- Utilities: fuel, water, electricity;
- Nitrogen: for use as a simple fertilizer;
- Chemicals: for use as herbicides, insecticides, and advanced fertilizers;
- Stainless steel tanks: for quality-preserving storage;
- Unskilled labour: for planting, maintenance, and harvesting;
- Skilled labour: for processing and marketing.

PRODUCTION AND TRANSFORMATION

Olives undergo six stages of processing to become olive oil:

1. Cleaning
2. Grinding
3. Mixing
4. Pressing
5. Racking
6. Filtering.

The method of each step depends on the equipment used. Cleaning is meant to remove pesticides, dirt, stems, leaves, twigs, and foreign objects. It is typically achieved by some combination of washing with water, air-blowing, and sifting. This preserves the safety and quality of the food, as well as the condition of the equipment. Grinding, or milling, is then used to turn the olives into a paste. The process tears oil-bearing cells in the flesh of the olives, making it easier to extract the oil. Mixing the paste allows small oil droplets to combine into larger oil droplets. Pressing then separates the oil from the water and the solids. With the oil separated, it is then stored in tanks where gravity is allowed to further separate the oil from any remaining sediments. This is called racking. Filtration is an optional step which, according to flavour preferences, can be applied next to further reduce sedimentation and increase clarity.

DISTRIBUTION TO MARKET

The destination market for the vast majority of Palestinian-produced olive oil is the domestic one. Producers sell primarily to traders or exporters, but also through informal networks of small retailers and directly within their communities.

The likely importers in the State of Palestine's target export markets in the Gulf, North America, and Europe are primarily big distributors, although there is some opportunity in Europe to export directly to retail networks. Several of the critical success factors for accessing market distribution channels are the same in all of these markets. They include:

- Quality, including valued characteristics such as being extra virgin, organic, and/or fair trade;
- Price;
- The credibility and reliability of the supplying company;
- Quality certification, such as the International Organization for Standardization's ISO 22000.
- The North American and European markets place additional emphasis on:
- Packaging;
- Certification of quality characteristics, such as being organic and/or fair trade.

SECTOR IMPORTS

The State of Palestine imports a negligible amount of olive oil. According to MoA estimates, the country produces about 14,000 tonnes of olive oil in a typical year. Between 2007 and 2010, exports ranged from 1,443 tonnes to 3,169. The average amount imported during the same period was 18 tonnes. Four-fifths of that was from Israel and one-fifth from Turkey.

The prevalence of olive trees in the State of Palestine and the fact that many families are self-sufficient for olive oil make it unlikely that the country will import olive oil in any significant amount as long as the olive harvest does not see an exceptionally bad year.

GLOBAL MARKETS

GLOBAL IMPORTS

The value of global olive oil[20] imports nearly tripled between 2001 and 2008, reaching a record US$4.9 billion.[21] During the same period, the quantity of global olive oil imports rose only 23%.[22] The much steeper increase in value hints at a combination of market trends, including a shift of demand toward higher quality olive oil, a lag in supply, and higher profit margins. Such market characteristics are consistent with the emergence of a global

20. Virgin olive oil, HS code 150910.

21. International Trade Centre (2013). Trade Map database. Available from www.trademap.org. Accessed 3 May 2013.

22. International Olive Oil Council (November 2012). Annual statistical series. Available from http://www.internationaloliveoil.org/estaticos/view/131-world-olive-oil-figures. Accessed 3 May 2013. Data for a given year was collected starting on 1 October of the previous year and ending on 30 September of the reporting year. The start dates roughly correspond to the start of the annual olive harvest, which may last until December.

middle class, olive oil's image as a higher quality edible oil, and greater demand for 'heart-healthy' foods, which olive oil is perceived to be.

In the global recession of 2009 the value of olive oil imports fell by 16%, but they had nearly recovered by 2011, when they reached US$ 4.8 billion. Throughout this century, the world's three largest importers have remained the same in name and ranking. Italy is first. With US$ 1.6 billion in imports in 2011, Italy accounted for a third of global imports and more than double the second place United States' US$ 707 million. Third is France, which imported US$ 395 million in 2011 and accounted for 8% of the global market. Germany, Brazil, the United Kingdom, Japan, Portugal, China, and Canada round out the top 10 in that order.

Annual global import growth for olive oil this century (i.e. 2001-2011) has been 10.9%. Four of the top 10 importers have beaten this pace. The United States and Canada grew by 12.1% and 14.3% respectively, but Brazil and China have been most remarkable. Brazil grew 29% per year from US$ 18 million in 2001 to nearly a quarter of a billion dollars in 2011. China's imports have doubled each year on average, going from US$ 132,000 in 2001 to US$ 132 million in 2011.

GLOBAL EXPORTS

The global market for olive oil exports has been dominated since at least 2001 by Spain and Italy. In the last five years their combined exports have satisfied 67%-76% of global import demand. Of global import demand in 2011, 91% was satisfied by Mediterranean countries, 6% by non-Mediterranean European countries, and 2% by Argentina and Chile combined.

Although since 2007 Spain and Italy have shown only modest annual growth rates of 1% and 3% respectively, this was enough to further consolidate their positions in a global market that shrank by 1%. In 2010 Spain enjoyed its highest market share ever and in 2011 Italy set its record.

Since 2007, the only Mediterranean exporter to see substantial growth has been Morocco with 64%. Among the top 10 exporters, this puts Morocco in a tie with Chile for the highest growth rate over that period. With 23% growth, Portugal is the third and last country in this group to make substantial gains in exports. Exports from Tunisia and Turkey decreased substantially with an annual average drop of 19% since 2007.

Table 2: *Leading global importers of virgin olive oil (HS 150910)*

Rank	Importers	Value imported in 2011 (US$ million)	Unit value in 2011 (US$ /ton)	Annual growth in value 2001-2011 (%)	Annual growth in value 2010-2011 (%)	Share in 2011 world imports (%)
	World	4 798	3 407	10.9	8.6	100
1	Italy	1 561	2 798	7.5	7.2	32.5
2	United States	707	3 738	12.1	6.3	14.7
3	France	395	3 666	9.3	8.2	8.2
4	Germany	241	4 286	9.0	17.8	5.0
5	Brazil	225	4 687	28.8	25.7	4.7
6	United Kingdom	150	3 475	10.7	6.6	3.1
7	Japan	142	5 540	10.6	-3.3	3.0
8	Portugal	139	2 856	8.2	-0.2	2.9
9	China	132	4 346	99.5	73	2.7
10	Canada	119	3 983	14.3	18.9	2.5

Sources: ITC calculations based on UN Comtrade statistics.

Table 3: *Major global exporters of virgin olive oil (HS150910)*

Rank	Exporters	Value exported in 2011 (US$ million)	Unit value in 2011 (US$ /ton)	Annual growth in value 2007-2011 (%)	Annual growth in value 2010-2011 (%)	Share in world exports (%)
	World	4 449	3 539	-1	9	100
1	Spain	2 029	3 056	1	3	45.6
2	Italy	1 332	4 695	3	14	29.9
3	Greece	294	3 607	-6	11	6.6
4	Tunisia	260	2 865	-19	-8	5.8
5	Portugal	188	4 241	23	36	4.2
6	Argentina	68	3 158	-1	70	1.5
7	Morocco	48	2 600	64	48	1.1
8	Turkey	30	4 088	-19	-13	0.7
9	France	27	6 277	-1	7	0.6
10	Chile	24	3 616	64	96	0.5
20	The State of Palestine	4	4 828*	20	7	0.1

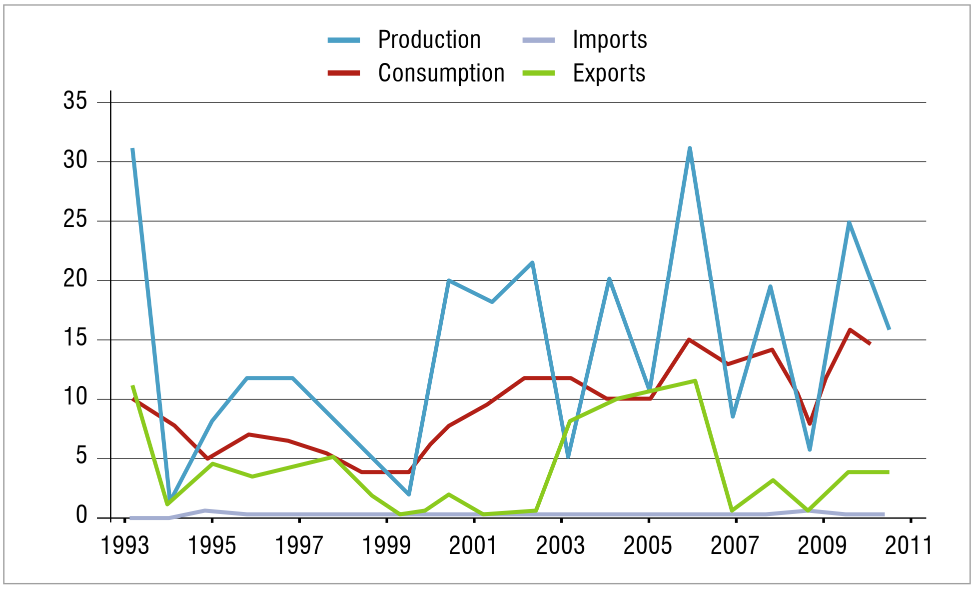
Source: ITC calculations based on UN Comtrade statistics.

*Average of unit values in 2008, 2009, and 2010.

THE STATE OF PALESTINE'S EXPORT PERFORMANCE

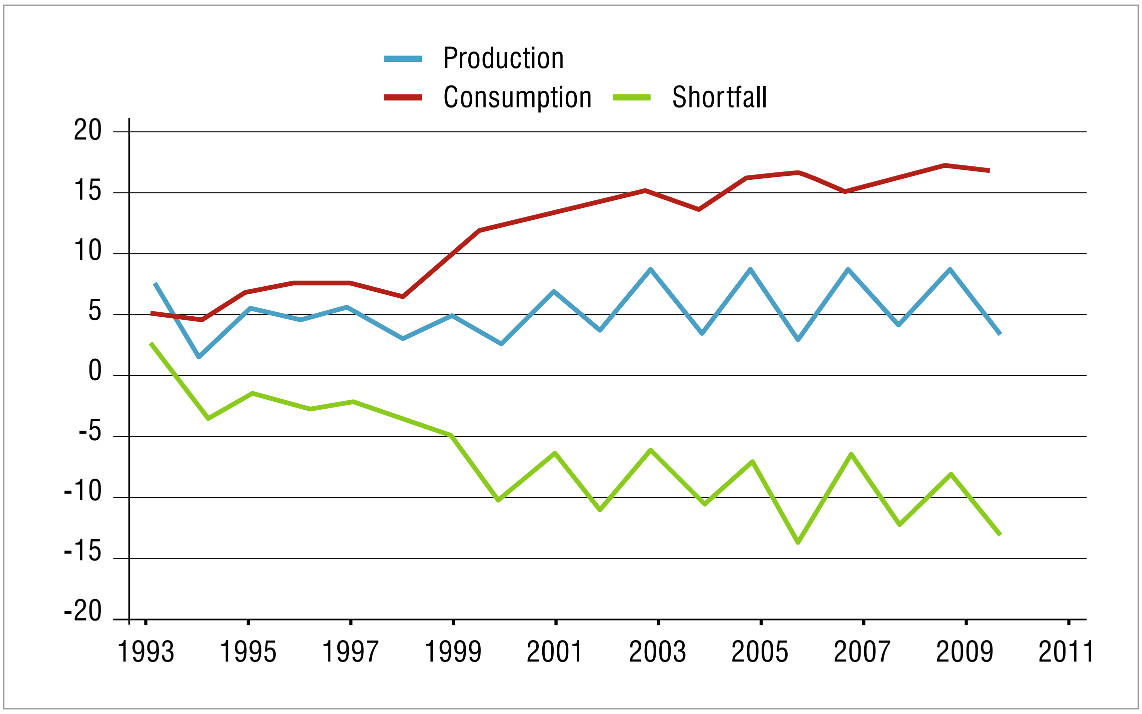
Palestinian olive oil is largely consumed domestically, and in 15 of the last 20 years domestic supply has fully satisfied domestic demand. Excess supply has been exported and imports have been negligible. The natural olive tree cycle of alternating high-yield and low-yield years – hereafter referred to as the 'alternate-bearing phenomenon' – has created large annual fluctuations in the volume produced and, therefore, the volume exported. These patterns are plotted in figure 5.

Figure 5: *Palestinian olive oil supply and demand, 1993-2012 (in thousands of tonnes)*



Source: International Olive Oil Council (November 2012). Annual statistical series. Available from http://www.internationaloliveoil.org/estaticos/view/131-world-olive-oil-figures. Accessed 3 May 2013.

Figure 6: *The historical gap between Israeli production and consumption of olive oil, 1993-2010 (in thousands of tonnes)*



Source: International Olive Oil Council (November 2012). Annual statistical series.
Available from http://www.internationaloliveoil.org/estaticos/view/131-world-olive-oil-figures. Accessed 3 May 2013.

The chief destination for the State of Palestine's excess supply – about 4,000 tonnes on average per year – had long been Israel, which consumes about 6,000 more tonnes per year of olive oil than it produces (see figure 6). However, this export market has been weakened since the beginning of the second intifada in 2000, as a result of additional Israeli restrictions on the import of Palestinian goods and the time and cost associated with moving goods through one of the five commercial crossings in the West Bank barrier.

Palestinian goods which may be exported may not travel directly from the State of Palestine to destination markets. Rather, they must first go through Israel or Jordan. Palestinian olive oil producers or their transportation companies must hand shipments over to Israeli transportation companies at the border. This obligatory use of third countries as intermediaries, the black market sale of Palestinian olive oil in the restricted Israeli market, and the fact that Israel does not report goods from the State of Palestine as imports has confused already scant national data on the importance of Israel as a destination for Palestinian olive oil exports.

Recent government data is only available for the four years from 2007 to 2010. In 2007 and 2008, Israel was by far the State of Palestine's biggest export market for olive oil, importing an average of 890 tonnes, which was three to four times as much as the State of Palestine's next biggest market. In 2009 and 2010, the shortfall of Israeli production was the greatest in recent history, yet recorded Palestinian imports were only 23 tonnes, or 0.5% of the total.

The following review of the State of Palestine's export performance is based on official data, but the reader should keep in mind that the Israeli market may still be the State of Palestine's largest market.

In fact, many of the State of Palestine's top export markets display high variability from year to year, suggesting a low survivability rate of export relationships and making it difficult to predict future competitiveness based on past performance. For example, the UAE was the State of Palestine's top market in 2011 and number four in 2009, but it imported nothing in 2010. So, rather than place too much weight on 2010 for an analysis of the State of Palestine's export performance, we look at all four years of available data, 2007-2010 (see table 4). In that period, 31 countries imported Palestinian olive oil, but only 42% of them did so in all four years. Of the 23 countries that the State of Palestine did export to in 2010, seven imported nothing in 2011. In 2010, Swaziland was the State of Palestine's second biggest importer, but it imported nothing the year before or the year after.

Table 4: *Top 15 export markets for Palestinian olive oil 2007-2010 (in tonnes)*

Country (2010 global rank)	2007	2008	2009	2010	Average
Israel (24)	1 073	707	37	9	457
United Arab Emirates (23)	184	283	0	1 047	379
United States (2)	110	328	690	300	357
Saudi Arabia (20)	176	335	139	624	319
Kuwait (30)	93	134	43	281	138
Canada (10)	20	29	41	433	131
France (3)	268	39	47	33	97
Japan (6)	15	32	78	79	51
Jordan (199)	0	168	0	4	43
United Kingdom (7)	0	57	79	34	43
Swaziland (211)	0	0	155	0	39
Belgium (15)	48	66	11	25	38
Qatar (54)	12	38	11	69	33
Switzerland (12)	0	22	33	64	30
Italy (1)	27	23	8	8	17

Source: ITC calculations based on UN Comtrade statistics.
Green figures are increases over the previous year.
Red figures are declines.
Shaded boxes indicate no imports.

Several of the world's top 10 importers, as noted in table 2, appear among the State of Palestine's top export markets, and at least two booming markets do not. Among these countries, those which should be attractive targets for the State of Palestine can be put into four categories according to their size, their growth, and the State of Palestine's export record to them.

1. **Target market #1:** major markets for the State of Palestine that are a) growing somewhat faster than the global market, and b) not a major global market. These are the UAE, Saudi Arabia, and Kuwait.
2. **Target market #2:** major markets for the State of Palestine that are a) growing somewhat faster than the global market, and b) a major global market. These are the United States and Canada.
3. **Target market #3:** not major markets for the State of Palestine that are a) growing steadily, and b) a major global market. These are the most of the major importing countries of the European Union.
4. **Target market #4:** not major markets for the State of Palestine that are a) booming, and b) an emerging global market. These are Brazil and China.

COMPETITION IN TARGET MARKETS

As part of the NES design process, sector firms and stakeholders made quantitative assessments of their collective competitiveness in the first three target markets. The State of Palestine and its chief competitors in each market were scored against six criteria – price, quality, quality/process certifications, supply consistency, delivery reliability, and fair trade certification – which were weighted for their importance in each market.

In target market #1, the Gulf States, price is by far the most important factor, accounting for nearly half of a product's competitiveness. Italy is second to none for all criteria but fair trade certification. This gives it a comfortable position as market leader. The Syrian Arab Republic and Tunisia are close behind, and the State of Palestine is not far behind them. The State of Palestine's weakest points are price, supply consistency, and packaging, but being able to match Italy and the Syrian Arab Republic in terms of price alone would put the State of Palestine in a tie with Italy for the most competitive. The State of Palestine has one clear advantage over its competitors in the Gulf States: its fair trade certification, which should be more fully exploited for its marketing value.

Source: © Paltrade.

In North America, too, the State of Palestine has an overwhelming advantage over its major competitors in its marketability as a fair trade product. It should use this to target niche markets, where consumers place a premium on that fact. Targeting mass markets in North America would appear to be difficult for the State of Palestine, as its competitiveness assessment puts it in a distant fourth place behind Spain, Italy, and Greece. The State of Palestine scores lower than all competitors for all other criteria, including price and quality, each of which accounts for 30% of the competitiveness score. This broad weakness means that matching the top competitor in terms of price or quality would still leave the State of Palestine in fourth place.

Spain, Italy, and Greece are likewise the State of Palestine's top competitors in the EU market. However, price is a less significant factor in the EU, which greatly narrows the gap between the State of Palestine and its competitors. The competitiveness assessment scored countries from 1 to 10 in the six categories. A one-point improvement in all six categories would make the State of Palestine the most competitive source. Even small improvements in three or four categories would put the State of Palestine in the same class as the rest, making it feasible to appeal to larger markets. This is a medium-term goal of this strategy. In the meantime, Palestinian producers should still seek out niche EU markets, capitalizing on its fair trade certifications. As in the North American market, the State of Palestine enjoys an overwhelmingly advantage in this respect.

THE INSTITUTIONAL PERSPECTIVE

The trade support institutions (TSIs) providing important services to the Palestinian olive oil sector can be categorized according to the following support areas:

- Policy support network
- Trade services network
- Business services network

Tables 5-7 identify the main TSIs whose service delivery impacts the quality management framework in the State of Palestine. An assessment of the TSIs along four key dimensions – coordination, human capital, financial resources, and advocacy – is provided. The ranking (high/medium/low) for each TSI was selected taking into account the service delivery of the TSI relative to the Olive Oil Sector23. In other words, the assessment was conducted based the evaluation of stakeholders in TSIs from the perspective of how well they serve the olive oil stakeholders.

POLICY SUPPORT NETWORK

The institutions in the policy support network represent ministries and competent authorities responsible for influencing or implementing policies at the national level.

23. Due to data collection difficulties, the rating assessments for the FFVH sector were utilized as a proxy for all institutions except for MoNE and MoA for which assessments were available and solicited from sector stakeholders.

Source: © Paltrade.

Table 5: *Palestinian policy support network*

Policy support					
Name	Function/role	Coordination*	Human capital**	Financial resources***	Advocacy****
Ministry of National Economy (MoNE)	The Ministry of National Economy is responsible for: • Standards and regulation enforcement • Duty draw back payments • Release of financial guarantees • Industrial licences • Renewal of industrial operating licences • Verification of names • Certification of a Certificate of Origin • Re-exporting transactions • Certified Exporter certificates	M	H	M	H
Ministry of Agriculture (MoA)	Implementation of state policy on agricultural and rural development supports the planning, development, and organization of the whole value chain of plant and animal products; supports post-harvest handling of agricultural products; and the food industry.	M	M	L	L

*** Coordination with other TSIs:** measures the strength of this institution's linkages with other institutions as well as the beneficiaries of their services (in particular, the private sector) in terms of collaboration and information sharing.

**** HR/Human Capital Assessment:** assesses the general level of capability of this institution's staff in terms of their training, and responsiveness to the sector stakeholders.

***** Financial Resources Assessment:** Assesses the financial resources/capacity available to the institution to provide service delivery in an efficient manner.

****** Advocacy:** The efficacy of this institution's advocacy mechanisms, and how well/frequently this institution disseminates important information to the sector.

TRADE SERVICE NETWORK

These institutions or agencies provide a wide range of trade related services to both government and enterprises.

Table 6: *Palestinian trade services network*

Trade services network					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
Palestinian Trade Centre (PalTrade)	PalTrade is the trade promotion organization of the State of Palestine with the mandate to develop exports. PalTrade's mission for the sector is improving trade competitiveness through trade promotion and capacity building; fostering international business practices and standards among professionals, firms and business organizations; and providing trade-enabling knowledge.	H	L	M	M
Palestine Polytechnic University (PPU)	Important potential source of skilled labour. Technical vocational education and training institution with colleges of engineering, information technology and computer engineering, applied science, administrative science and informatics, and applied professions.	L	L	M	L
Palestine Standards Institution (PSI)	PSI is considered the sole body responsible for issuing Palestinian standards: by providing accreditation for labs, granting the quality mark for products, and signing cooperation and mutual recognition agreements with other countries to facilitate trade.	M	L	L	L
Palestinian Central Bureau of Statistics (PCBS)	The responsibility of PCBS for the sector is: To serve the instrumental needs of businesses and their organizations for statistical information on states and trends. To participate effectively in building the different administrative records and central registers to meet the administrative and statistical needs of the Palestinian society. To publish a statistical yearbook annually.	M	L	L	L
Agricultural Development Association (PARC)	The Agricultural Development Association (PARC) is a leading Palestinian non-profit, non-governmental organization involved in rural development and women's empowerment. PARC provides advice, awareness support, services, and special consultancies for individuals, groups, and institutions involved in similar domains. PARC relies on the broad and efficient participation of its beneficiaries, and moreover, on developing the qualifications of its experts to better benefit and develop a democratic Palestinian civil society	H	H	M	H

BUSINESS SERVICE NETWORK

These are associations, or major representatives, of commercial service providers used by exporters to carry out international trade transactions.

Table 7: *Palestinian business services network*

Business services network					
Name	Function/role	Coordination	HR/human capital	Financial sustainability	Advocacy
Palestinian Olive Oil Council (POOC)	Public-private council meant to coordinate and unify efforts to develop the sector and improve its competitiveness, through policy advocacy and technical advice along the value chain	L	L	L	L
Palestinian Federation of Industries (PFI)	The PFI facilitates industrial development as the basis for economic performance. PFI's representational role is to educate, advocate, and communicate the value of a developed, socially responsible and globally competitive industry.	M	M	L	M
Palestinian Chambers of Commerce and Industry (FPCCIA)	The Federation's main task is to help local chambers of commerce to meet the requirements of the global business environment. The FPCCIA is an advocacy institution, which aims to ensure that the private sector operates freely and has a voice in policy formulation at the national level. It also strives to create strong regional and international links to global markets and works with SMEs to improve their performance, focusing on market access, quality, costing and financial management.	M	M	M	M

The weak coordination, and the high levels of redundancies and overlaps between the operations of the TSIs in the sector waste effort and valuable resources, while leaving gaps in service delivery. From the perspective of the Palestinian olive oil sector stakeholders, the Ministry of Agriculture and the POOC are not providing adequate services for the realisation of the sector's export potential. POOC, PSI, PPU, and PCBS all lack adequate human capital. And, in terms of financial stability, the Ministry of Agriculture, POOC, PSI, and PFI all face significant challenges, as a result of the economic crisis affecting Palestine.

Advocacy is a very important aspect of the work of TSIs. It serves to inform current and potential exporting enterprises of available services, business intelligence, and other important information. This area has been cited as a significant weakness for the Ministry of Agriculture, POOC, PPU, PSI and PCBS. This indicates a disconnect between private enterprises and the institutions established to help them through policy-making, sector development, public-private dialogue, TVET provision, standards setting, and statistics collection and dissemination. This has an aggregate adverse impact on the export competitiveness of the sector.

Overall Perception of Palestinian TSIs in the olive oil sector – influence vs. capability

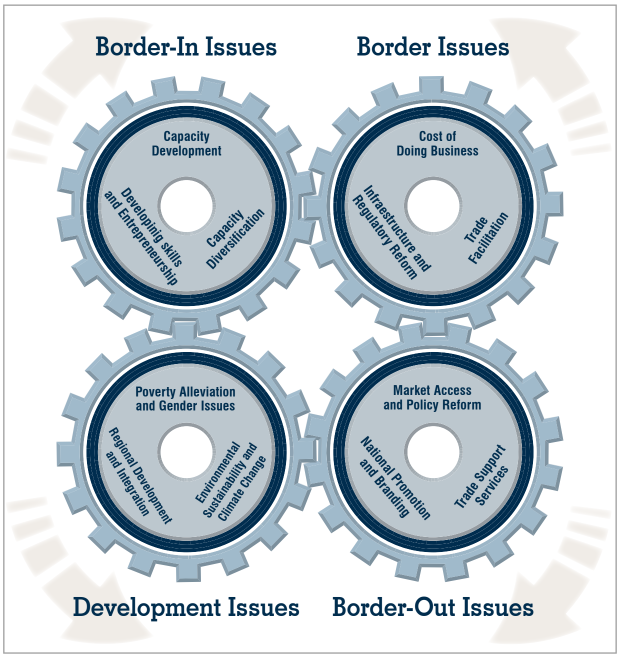
The following classification represents the perception of the stakeholders of the sector regarding the level of influence and capacity to respond of each institution.

		Capacity of institution to respond to sector's needs	
		Low	High
Level of influence on the sector	High	• Ministry of Agriculture (MoA) • Palestine Standards Institute (PSI) • Palestinian Federation of Industries (PFI)	• Palestine Trade Center (PalTrade) • Agricultural Development Association (PARC) • Palestinian Chambers of Commerce, Industry, and Agriculture (FPCCIA)
	Low	• Palestine Polytechnic University (PPU) • Palestinian Olive Oil Council (POOC)	• Palestinian Central Bureau of Statistics (PCBS)

As Indicated in the table above:

- Institutions at the policy making level, such as the Ministry of Agriculture, and the Palestine Standards Institute have a medium level of influence, but overall low levels of resources to respond to the sector's needs.
- PalTrade and FPCCIA are both in a relatively good position in terms of their level of influence on the sector, as well as their resource capacities.
- PCBS has a reasonably high capacity to provide high quality statistics, however it lacks influence over sector stakeholders, especially traders and customs border controls.

From a TVET perspective, PPU is the main organization that supplies skilled labour to the olive oil sector. This institution is assessed to have weaknesses in terms of resources that constrain it from the perspective of responding to the sector's needs. At a similar level, while PCBS does provide significantly value added services, these are not necessarily attuned to the needs of the sector.



EXPORT COMPETITIVENESS ISSUES

The export constraints analysis uses a four gears framework presented below to determine the major concerns to export development.

- ***Supply-side issues*** impact production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology, and low value addition in the sector's products.
- ***The quality of the business environment*** are constraints that influence transaction costs, such as regulatory environment, administrative procedures and documentation, infrastructure bottlenecks, certification costs, Internet access and cost of support services.
- ***Market entry:*** are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.

The analysis presents the major constraints to export competitiveness in the Palestinian olive oil sector. However, the assessment also explores issues limiting the socioeconomic spillovers of exports to the larger society:

- **Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

THE BORDER-IN GEAR (SUPPLY SIDE)

Box 2: Supply-side issues affecting the Palestinian olive oil sector

- The planting of olive trees is often done on suboptimal land, leading to lower yields.
- Suitable olive tree seedlings are unavailable in the quantities demanded.
- Modern best practice techniques are severely underutilized in harvesting, pressing and storing, thereby hurting quality and raising prices.
- Irrigation is severely underused, drastically limiting yields and the capacity to grow exports.
- Olive farmers and MoA are not adequately addressing widespread plant diseases and pests.
- Palestinian olive oil producers have difficulty meeting the quality standards of importers.
- The production and transportation costs of olive oil are high, making Palestinian olive oil uncompetitive.
- Private sector investment is badly needed.

THE PLANTING OF OLIVE TREES IS OFTEN DONE ON SUBOPTIMAL AND, LEADING TO LOWER YIELDS

A disproportionate amount of the 37% of Palestinian agricultural land that is not under full Israeli control is on hilly land that is less well-suited to efficient olive cultivation. However, separate from this issue, there is a custom of choosing locations to plant trees on factors other than commercial optimization, for example simply following planting patterns of generations past.

SUITABLE OLIVE TREE SEEDLINGS ARE UNAVAILABLE IN THE QUANTITIES DEMANDED

Olive tree seedlings are nurtured for one or two years before they are ready for planting. This requires Palestinian nurseries to carry seedling inventory beyond foreseeable demand. The consequent risk leads many nurseries to under-stock, creating periods of unsatisfied demand and long waits for farmers to obtain orders. The higher prices borne by the Israeli market also undercut the quantity and quality of seedlings sold by Palestinian nurseries.

MODERN BEST PRACTICE TECHNIQUES ARE SEVERELY UNDERUTILIZED IN HARVESTING, PRESSING AND STORING, THEREBY HURTING THE QUALITY OF THE OLIVE OIL AND RAISING ITS PRICES

Modern olive harvesting is done mechanically, but most harvesting in the State of Palestine is manual. Traditionally this has meant beating the branches of olive trees with sticks or using a kind of comb to cause the fruit to drop. The labour costs involved in the traditional method significantly raise the final cost of olive oil and damage the fruit, which adversely affects the quality of the extracted oil. Once harvested, 80% of farmers store olives in unventilated plastic bags until they can be delivered to an olive mill, which degrades the quality of the olives and their oil. Awareness of this has been increasing, with more farmers laying nets down to catch olives and/or storing them in ventilated boxes or the like.[24]

At the olive mill too, delays in pressing, lack of control of temperature and humidity, infrequent changing of the water used to wash olives, unsanitary conditions, and improper storage can unnecessarily degrade quality. Internationally accepted quality management practices should be learned and applied throughout the value chain.[25]

24. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*

25. *Ibid.*

IRRIGATION IS SEVERELY UNDERUSED, DRASTICALLY LIMITING YIELDS AND THE CAPACITY TO GROW EXPORTS

Of agricultural land in the State of Palestine, 87% is rainfed and produces less than a quarter of the country's agricultural output, while the 2% of land using protected irrigation produces nearly half of the output. Few measures could have as large an impact on agricultural productivity as the spread of irrigation.

Water for irrigation would have to be purchased from Israel and irrigation systems put in place. Without significant market growth, such additional costs might or might not be outweighed by the increased revenue from greater output. However, achieving the sort of long-term international growth which this strategy targets would almost certainly require parallel investment of this sort. Intermediate measures, such as the drilling of wells and the collection of water in pools during the winter for use in the summer, are being taken by some farmers now.

OLIVE FARMERS AND MOA ARE NOT ADEQUATELY ADDRESSING WIDESPREAD PLANT DISEASES AND PESTS

Olive flies are the most significant pest, and peacock eye disease the most significant disease, to threaten Palestinian olives. Measures to control these, combined with better pruning techniques, may be able to reduce the yield fluctuations from the alternate-bearing phenomenon by up to 50%.

Chemical pest and disease control is uncommon. Olive fly traps are distributed to some farmers through MoA and some NGOs, but this represents a small percentage of farmers. One copper-based chemical is, in fact, being used to control peacock eye disease, but that initiative is donor funded and covers only a few tens of hectares.

PALESTINIAN OLIVE OIL PRODUCERS HAVE DIFFICULTY MEETING THE QUALITY STANDARDS OF IMPORTERS

Aforementioned methods of harvesting and storage damage the quality of olives, as does the improper storage of oil. Nevertheless, the percentage of Palestinian olive oil which has been domestically classified as extra virgin is currently at a high of 35%.26 This is an important development for Palestinian exports, as most international markets willing to pay Palestinian prices for olive oil will demand high quality. However, certification by PSI is not internationally recognized, and going through the certifying processes of international certifying bodies is cost-prohibitive for most of the small and medium farmers that populate the Palestinian olive sector.

Raising the capacity and international recognition of PSI would be an important step in the development of this vital sector and the economy as a whole. In the interim, cooperatives may share the cost of international certification and the government may act to defray those costs.

THE PRODUCTION AND TRANSPORTATION COSTS OF OLIVE OIL ARE HIGH, MAKING PALESTINIAN OLIVE OIL UNCOMPETITIVE

The small-scale farming which produces most of the State of Palestine's olive harvest prevents the achievement of economies of scale. The manual harvesting of olives accounts for about half of an olive farmer's costs,[27] considerably more than mechanical harvesting would cost, further raising the eventual cost of olive oil. The absence of bottle and roll label production in the State of Palestine means those inputs must be imported from Israel, again raising the final costs of olive oil exporters. It is estimated that these imports account for 20%-25% of the cost of industrial inputs for olive oil.[28]

When Palestinian olive oil is exported it faces three additional cost disadvantages imposed by Israeli restrictions. First, it must be exported by land through Israel or Jordan before being flown or shipped to its final market. In this way, olive oil from Gaza destined for Saudi Arabia might first pass through Israel, the West Bank, and Jordan. Second, any time a shipment leaves Gaza or the West Bank, the Palestinian shipper must hand over the shipment to an Israeli shipper, adding costs and time to the export. In the case of a shipment originating in Gaza, two Israeli shippers would be needed; one to move the shipment from Gaza through Israel to the West Bank and another to move the shipment from the West Bank across the border to Jordan. Third, pallets of olive oil may not be stacked higher than 1.6 metres, leaving the top fourth of shipping containers empty and raising the per unit price of container transport by one third.

These higher costs may be successfully borne when a product is exported to a high-paying gourmet or niche market, but the fact that the State of Palestine's highest quality olive oil usually does not have internationally recognized certification as such decreases its marketability.

26. Palestinian Ministry of Agriculture (January 2012). *Strategy for the Development of the Olive Sub-Sector in Palestine, 2012-2015 (Draft)*.

27. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*

28. Cost estimates were discussed and provided by olive oil producers and sector stakeholders assembled for an NES consultation workshop.

Box 3: Business environment issues affecting the Palestinian olive oil sector

- Difficulty in getting credit and starting a business discourages badly needed private sector investment.
- Cooperative farming and marketing systems are weak.
- The work of civil society is not well coordinated with the Ministry of Agriculture's support and extension services, leading to possible duplication, lost opportunities, and contradictory initiatives.
- Trade associations, unions, and other private bodies in the olive and olive oil sectors are few and weak.
- Certification of Palestinian producers is prohibitively expensive, costing qualified producers new markets and higher prices.

PRIVATE SECTOR INVESTMENT IS BADLY NEEDED

The majority of olive farmers operate small, family enterprises and do not have the capital, the ability to wait for several years to recover capital invested, or the risk tolerance to make the major modernizing investments that could positively transform their volumes, productivity, product quality, and cost structure. Without such investment, or a large expansion of cooperatives that can share investments and spread risk, the scale of Palestinian production is unlikely to change. The quality of Palestinian olive oil may shift, and this may permit a meaningful increase in the quantity exported with corresponding positive impacts on prices, profits, and wages, but it will not be transformative.

THE BORDER GEAR (QUALITY OF THE BUSINESS ENVIRONMENT)

DIFFICULTY IN GETTING CREDIT AND STARTING A BUSINESS DISCOURAGES BADLY NEEDED PRIVATE SECTOR INVESTMENT

The World Bank Group's Doing Business rankings assess the ease of doing business in 185 economies, based on 10 aspects of doing business. The West Bank and Gaza ranked an acceptable 49th in terms of investor protection. However, they ranked a very poor 159th for getting credit and 179th for starting a business. Overall this represents a difficult business environment, which diminishes the attractiveness of the State of Palestine as a place to invest.

Difficulty getting credit is an especially important factor for the small-scale domestic famers who do not possess the capital or risk tolerance of larger enterprises. Resolving this obstacle to investment is essential to seeing the expansion of irrigation and mechanized harvesting, which the sector's competitiveness hinges upon. The government can assist through the provision of low-interest loans, loan guarantees and grants, among other mechanisms.

In terms of foreign investment, the overall Doing Business rank of 135 is a good indication of the State of Palestine's relative attractiveness to foreign investors. The difficulty is compounded by the country's security and political instability, both real and perceived, but it is made easier in the olive oil sector by the unique combination of positive characteristics possessed by Palestinian olive oil. Attracting transnational olive oil producers to invest in the State of Palestine could be especially transformative, as these producers are likely to bring not only relatively large amounts of capital but also best practice technologies, techniques, know-how, and relationships with global distribution networks.

COOPERATIVE FARMING AND MARKETING SYSTEMS ARE WEAK

Of the approximately 49,000 farming families growing olives, only about 6% are part of a cooperative.29 This leaves leaving much of the olive oil market in the hands of small-scale farmers who are individually disadvantaged in terms of production capacity, price, branding, quality management, negotiating power, and investment. Participation in cooperatives would be improved by raising farmer awareness of the expected benefits and practical operations of cooperatives, and by strengthening the legal and regulatory framework for cooperatives.

29. Based on ITC calculations using figures from Oxfam (2,500 farmers in 30 Oxfam-assisted cooperatives) and MoA (35 total cooperatives in the State of Palestine).

Box 4: Market entry issues affecting the Palestinian olive oil sector

- The production volumes, prices, and product quality of Palestinian olive oil are erratic, preventing exporters from the basic ability to guarantee terms of sale over the medium term.
- Virgin olive oil, which typically represents 65% or more of the State of Palestine's total olive oil production, is not adequately marketed for export.
- Olive oil producers, lacking quality market information, may select new markets somewhat randomly.
- The PNA has not adequately equipped the State of Palestine's trade support institutions to furnish olive oil producers with quality trade information.
- The quality and production standards of PSI are not recognized, either locally or internationally.
- Palestinian olive oil exports suffer from a lack of branding.
- Organic, fair trade, and the Palestinian name.

THE SECTOR'S TRADE ASSOCIATION IS WEAK

POOC was established by the government in 2005 as a publicly funded, member-based organization of sector stakeholders, with a mandate to raise competitiveness and profitability for the sector through coordination of various public and private initiatives, development and dissemination of best practices, and collaboration on public policy. However, POOC has not received the funding needed to fully implement its mandate, and awareness of its role and services appears low. Although the majority of POOC members are farmers, only about 15% of eligible farmers had joined as of August 2010.[30]

CERTIFICATION OF PALESTINIAN PRODUCERS IS PROHIBITIVELY EXPENSIVE, COSTING QUALIFIED PRODUCERS NEW MARKETS AND HIGHER PRICES

Uncertified olive oils may be of a lower quality than labelled and even be mixed with other oils, such as soy and corn, a common practice.[31] The lack of certification, therefore, makes it much more difficult to enter international markets. The types of conformity certifications available to olive oil producers, and their exact requirements and processes, are not well understood by actors along the value chain. Examples include:

- ISO 22000 standard for food safety, derived from ISO 9000; and
- Hazard Analysis and Critical Control Points (HACCP), the United States government standard for food safety.

30. Based on an Oxfam International interview with the POOC Chairman, as reported in Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank*.

31. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank*, page 12.

THE BORDER-OUT GEAR (MARKET ENTRY)

THE PRODUCTION VOLUMES, PRICES, AND PRODUCT QUALITY OF PALESTINIAN OLIVE OIL ARE ERRATIC, PREVENTING EXPORTERS FROM THE BASIC ABILITY TO GUARANTEE TERMS OF SALE OVER THE MEDIUM TERM

Relatively simple and inexpensive techniques could be applied to the cultivation, harvesting, processing, and storage of olives which would have a significant effect on the cost and quality of olive oil. These include selection of planting areas for optimal commercialization, pruning and planting in ways that reduce or offset the variability of alternate-bearing olive trees, irrigation –whether from pools, wells, or more sophisticated systems– mechanized harvesting, and the use of quality-preserving storage containers, among other techniques.

Achieving reliable quantities and quality would also improve price stability, or at least link it to global supply and demand more than to the vagaries of Palestinian production. This in turn would allow exporters to better maintain export relationships. Palestinian trade data is full of sharp increases, indicating a great latent interest in the country's olive oil that is sometimes tapped but rarely built upon. Controlling for the aforementioned fluctuations would allow the State of Palestine to start building in this way year after year. That predictability would permit Palestinian producers to ramp up production without fear of it going unused.

Achieving this depends as much on dissemination of best practices among farmers and olive oil producers as on small amounts of capital to improve techniques and technology. Government and NGO intervention in that dissemination will be critical to success of the strategy.

VIRGIN OLIVE OIL, WHICH TYPICALLY REPRESENTS 65% OR MORE OF THE STATE OF PALESTINE'S TOTAL OLIVE OIL PRODUCTION, IS NOT ADEQUATELY MARKETED FOR EXPORT

Considering the relatively high price and high quality of Palestinian olive oil, producers rightfully look to high-end markets as the best opportunity for export growth in extra virgin olive oil. However, this should not be done to the complete exclusion of opportunities for virgin olive oil. Such opportunities may exist in regional markets, underserved markets, and markets that value particular aspects of Palestinian virgin olive oil, such as taste, organic production, or fair trade designation.

OLIVE OIL PRODUCERS, LACKING QUALITY MARKET INFORMATION, MAY SELECT NEW MARKETS SOMEWHAT RANDOMLY

Small-scale farmers do not typically possess an adequate understanding of foreign markets, international marketing or foreign languages to compete effectively in more than a few countries. They may attempt to export to a few countries where they have personal connections or where they have heard about an opportunity, but they are unlikely to have the wherewithal to identify the global markets where they are most competitive or to develop and implement an appropriate marketing strategy.

This is true in any country, motivating governments to take the lead in developing and disseminating critical intelligence and practical support to SMEs in strategic sectors. In the State of Palestine, the olive and olive oil sectors are strategic and require such government export assistance. The following chapter in this strategy (the future perspective) offers a starting point for this assistance, but markets are dynamic and the olive oil sector will require more systematic and detailed trade information from public TSIs to significantly diversify and deepen its export markets. One of the cross-sector strategies that make up the NES is dedicated to this indispensable government function.

THE PNA HAS NOT ADEQUATELY EQUIPPED THE STATE OF PALESTINE'S TRADE SUPPORT INSTITUTIONS TO FURNISH OLIVE OIL PRODUCERS WITH QUALITY TRADE INFORMATION

As a whole, the Palestinian olive sector is not export-minded. As many as 100,000 families depend on the sector for primary or secondary income, yet only nine small companies export olive oil. Palestinian production goes toward satisfying local demand and the surplus is exported, with negligible imports. Breaking into foreign markets can be daunting, especially when producers operate on a small scale and have little knowledge of foreign business, culture, and language. In a sector as fragmented as this one, there is a tremendous need for government support to achieve export success. The Palestinian government, through its TSIs, should provide detailed and regularly updated market analysis for target markets, including on customers, products, competitors, distribution channels, and market access. However, Palestinian TSIs are not adequately funded or sufficiently well-publicized to stimulate potential beneficiaries to request information.

THE QUALITY AND PRODUCTION STANDARDS OF PSI ARE NOT RECOGNIZED, EITHER LOCALLY OR INTERNATIONALLY

PSI quality certifications have yet to be accepted internationally. While that is the case, Palestinian olive oil exporters who want to compete in the high-end markets where they are supposed to be most competitive will need to pay for external certification. This added cost obviously hurts their overall price competitiveness, but perhaps more importantly it dissuades them from taking this critical step and keeps them out of markets where they belong.

PALESTINIAN OLIVE OIL EXPORTS SUFFER FROM A LACK OF BRANDING

As most olive oil producers are small and focused on meeting local demand, they do little to brand themselves or create brand awareness among potential customers. Transactions are often small-scale and business relationships may start because of personal relationships and proximity, making branding less essential.

Similarly, a review of the State of Palestine's export history shows that it exports disproportionately to countries where common language, common culture, and pre-existing awareness of the State of Palestine and its olives facilitate business. With better trade information and capacity-building extension services from the country's TSIs, exporters may overcome the gaps in knowledge and confidence which keep them from breaking into the larger, more dynamic, or more profitable markets in the world.

ORGANIC, FAIR TRADE, AND THE PALESTINIAN NAME

The fact that Israeli restrictions on 'dual-use' goods prevents most fertilizers from being imported to the State of Palestine has harmed general productivity, but it has also had the effect of creating a potentially very valuable selling point: the overwhelmingly organic nature of Palestinian olives. Markets in Europe, North America, and elsewhere are increasingly willing to pay a premium for organic products and Palestinian exports to those markets should not fail to capitalize on that fact.

Likewise, fair trade products have a growing, although smaller, niche market. Of the nine companies exporting olive oil from the State of Palestine, four specialize in fair trade, but only one of these has advanced bottling equipment. Bottling, labelling, and the certifications which allow the most marketable labelling are essential to capitalizing on both the organic and fair trade aspects of Palestinian olive oil.

The name of the State of Palestine itself provides a useful marketing tool. Certain customers throughout the world, and especially in Arab countries, may purchase the country's olive oil out of solidarity with its people. Others may value Palestinian olive oil as being from 'the Holy Land' or know the State of Palestine as an ancient and high-quality source of olives. As the State of Palestine exports more and more olive oil its producers should seek to develop as many brands in each market as necessary to fully exploit its advantages with respect to each market segment.

DEVELOPMENT GEAR

AS 15% OF WORKING PALESTINIAN WOMEN WORK IN THE OLIVE SECTOR, THE STRENGTHENING OF THE SECTOR PROVIDES AN IMPORTANT OPPORTUNITY TO STRENGTHEN THE POSITION OF WOMEN IN THE PALESTINIAN ECONOMY

Of all female employment in the State of Palestine, 34% is in the agricultural sector,[32] and approximately 45% of agricultural land is dedicated to olives. Although the labour intensity of olive cultivation may differ from the average for the agricultural sector overall, we may estimate from these numbers that 15% of all working women work with olives. Therefore, helping women in the olive and olive oil sectors to raise their incomes, learn new skills, and connect to the global marketplace would be a high impact approach to improving the socioeconomic position of Palestinian women overall.

In olive cultivation, female labour is most specifically used for the low-skill work of weeding.[33] Some women from woman-led households market olives and olive oil in local markets or to traders and exporters, but men dominate these distribution channels. Most women typically sell small volumes at lower profit through informal networks and in their communities. Their more equitable involvement in these activities would be promoted through greater targeting of women by the public providers of marketing training, in which female participation is now disproportionately low.

32. Food and Agriculture Organization of the United Nations and World Food Programme (December 2009). *Occupied Palestinian Territory: Food Security and Vulnerability Analysis Report*, page 39.

33. Oxfam (2010). *The road to olive farming: Challenges to developing the economy of olive oil in the West Bank.*

Box 5: Development issues affecting the Palestinian olive oil sector

- As 15% of working Palestinian women work in the olive sector, the strengthening of the sector provides an important opportunity to strengthen the position of women in the Palestinian economy.

Source: © PalTrade

WHERE WE WANT TO GO

VISION

The Palestinian olive oil sector has a prominent and stable place in the country's economy, and the potential to secure a similar position in the global economy. This ambitious but achievable aspiration is captured in the vision for the sector:

> "To attain global recognition and corresponding export volumes as the only source for olive oil that is both of world-class quality and overwhelmingly organic."

Major challenges in terms of market development and the value chain threaten realization of this vision. Overcoming them will require that the sector's competitiveness be raised through the following actions:

Instilling a sector-wide mindset that views export markets with strategic purpose rather than as an activity by which to dispose of surplus olive oil not consumed by the domestic market;

1. Certifiably preserving the naturally high quality of Palestinian olive oil;
2. Crafting and implementing effective brands appropriate to each target market;
3. Producing quantities that can reliably satisfy demand from foreign buyers year after year;
4. Bringing down the costs of production.

The bad news about this list of challenges is that it is long and fundamental to the structure of the sector. The good news is that it is achievable. With decisive and coordinated action by the PNA, the international donor community and entrepreneurs, the Palestinian olive sector could take a disproportionately large share of global markets and have an important demonstration effect on all Palestinian sectors. This chapter lays out the actions needed from enterprises along the value chain to realize these strategic objectives. The following section lays out the supporting initiatives needed from government, international donors, and civil society to enable this.

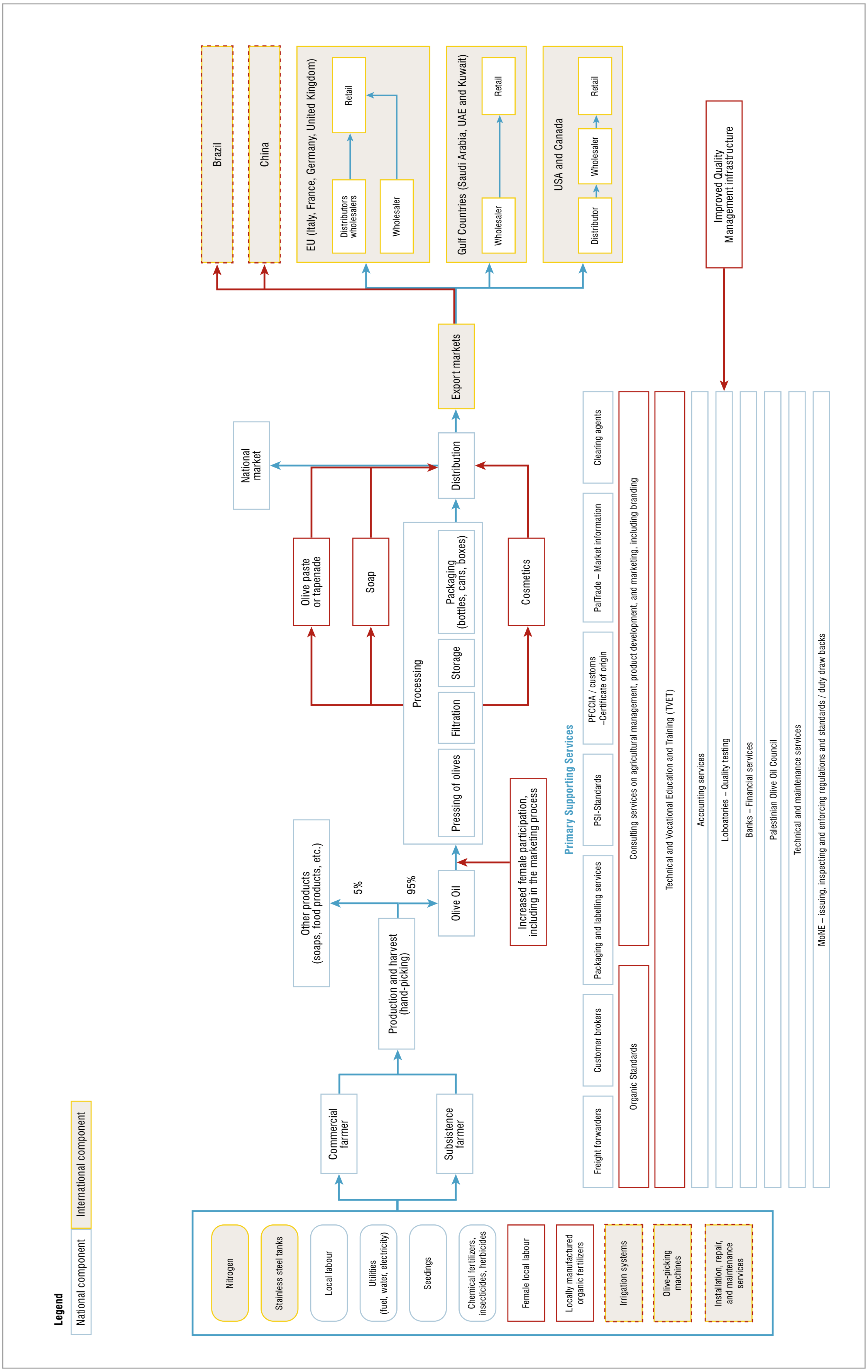


FIGURE 7: FUTURE VALUE CHAIN

MARKET IDENTIFICATION

PRODUCTS

HIGH END

Until the Palestinian olive sector is able to implement cost-reducing changes to its methods of cultivation, harvesting, quality management, and packaging, its exports will be most competitive if they are of the country's highest quality, certified as such, and marketed to appropriate high-end markets. According to a chemical analysis performed by Qutub et al. (2010), the oil of all eight major Palestinian olive cultivars meets International Olive Oil Council standards for classification as extra virgin. Managing quality throughout the value chain and securing affordable international certification will be important to the sector's market development plans.

However, the label of 'extra virgin' has become commonplace and is not by itself distinguishing as a mark of the highest quality. This is a major reason behind the 2004 establishment of Association 3E, an Italy-based NGO dedicated to 'ethics, excellence, and economics' in the olive oil industry. Membership of Association 3E includes 18 world-class olive oil producers from Italy, Spain, Greece, and the United States and promotes a 'super-premium' standard above extra virgin. Applying this standard to the chemical characteristics of the eight cultivars studied by Qutub et al. (2010), we see that none qualify at the stage of oil ripening, but that several are very close (see table 9).

Table 9: *The major Palestinian olive cultivars as measured against 'super-premium' standards*

		Free acidity level	Peroxide value	UV absorption of 232nm (K232)
Chemical characteristics required for classification of olive oil as 'extra virgin' and 'super-premium'				
IOC's 'extra-virgin' standards		≤0.8%	≤20.00	≤2.50
3E's 'super-premium' standards		<0.3%	<7.50	<1.63
Oils from the major Palestinian olive cultivars				
Chemlali	in October	0.16	8.70	1.69
	In November	0.49	9.60	1.88
Jabbah	in October	0.10	8.25	2.04
	in November	0.49	6.50	1.52
K18	in October	0.24	5.00	1.75
	in November			
Manzolino	in October	0.11	7.60	1.59
	in November			
Nabali Baladi	in October	0.28	9.60	1.77
	in November	0.32	6.65	1.76
Nab. Mohassan	in October	0.19	7.50	1.80
	in November	0.25	8.25	1.93
Shami	in October	0.14	6.90	1.70
	in November			
Souri	in October	0.37	8.70	1.97
	in November	0.27	9.25	1.68
		Within limit for 'super-premium'	Within 10% of limit for 'super-premium'	

Source: ITC, based on measurements from Qutub, et al. (December 2010). *Characterisation of the Main Palestinian Olive Cultivars and Olive Oil.* EU/AFD

Source: © joffwilliams.

K18, Manzolino and Shami met two of the three super-premium criteria and came within 10% of meeting the third. With certain quality management techniques, the third criterion might be satisfied. For example, Manzolino had a peroxide value of 7.60, narrowly missing the super-premium maximum of 7.50, but nitrogen-stripping, or the technique of removing dissolved oxygen with nitrogen gas has been found to significantly reduce peroxide values. A combination of such techniques might even help the other cultivars, including the most widespread, Nabali Baladi, meet these criteria. Excellent quality management would be needed along the value chain in all cases to keep these chemical characteristics within the limits.

ORGANIC, FAIR TRADE, AND PALESTINIAN BRANDED

The fact that Israeli restrictions on 'dual-use' goods prevent most fertilizers from being imported to the State of Palestine has harmed general productivity, but it has also had the effect of creating a potentially very valuable selling point: the overwhelmingly organic nature of Palestinian olives. Markets in Europe, North America, and elsewhere are increasingly willing to pay a premium for organic products and Palestinian exports to those markets should not fail to capitalize on that fact.

Likewise, fair trade products have a growing, although smaller, niche market. Of the nine companies exporting olive oil from the State of Palestine, four specialise in fair trade, but only one of these has advanced bottling equipment. Bottling, labelling, and the certifications which allow the most marketable labelling are essential to capitalizing on both the organic and fair trade aspects of Palestinian olive oil.

The name of the State of Palestine itself provides a useful marketing tool. Certain customers throughout the world, and especially in Arab countries, may purchase the country's olive oil out of solidarity with its people. Others may value Palestinian olive oil as being from 'the Holy Land' or know the State of Palestine as an ancient and high-quality source of olives. As the State of Palestine exports more and more olive oil, its producers should seek to develop as many brands in each market as necessary to fully exploit its advantages with respect to each market segment.

OTHER OLIVE-BASED PRODUCTS

Product and packaging variations, such as herb-infused olive oil or small gift bottles for distribution through hotels and gift baskets, offer additional marketing opportunities to olive oil producers. Olive farmers may also find other end uses and customers for their fruit. Some of these are described in figure 8 with requirements for further development.

Figure 8: *Other olive-based products and needs for their further development*

Other olive-based products	Needs for further development
Olive oil soap, bar and liquid	The know-how is available. Market information is needed to assess the potential.
Olive paste	The know-how is available. Market information is needed to assess the potential.
Ingredient in cosmetics	Joint ventures among cooperatives/cosmetic manufacturers and exporters.
Pickled olives	The know-how is available. Market information is needed to assess the potential.
Infused olive oil	Market information. Preferences/buyer's requirements are needed. For all the above-mentioned products, it is important to conduct market assessment studies.

MARKETS

The following analysis is divided into two broad phases: one related to the immediate, short-term perspective and the other related to the mid-to-long term outlook, by which time it is expected that a significant portion of the NES and sector PoAs will have been implemented. This phased approach is aimed at staging interventions in alignment with the evolving capacities of the sector's trade support institutions and sector enterprises as the NES implementation moves forward.

Target markets are segmented along both existing and potential markets, for both the short term and medium-long term phases. Existing markets are those to which the State of Palestine already exports olive oil products, while potential markets include those markets that have experienced negligible to no flows in recent years.

The outlook for exports in the **short term** (0-3 years) is expected to focus on consolidating foothold in existing markets (market penetration), and leveraging existing relationships and distribution channels to bring new products to market (product development).

During this phase cultural affinity, bilateral geographical distances, and existing trade relationships will form the major criteria determining the markets for Palestinian olive products. Market development – in which export relationships in new markets are established – will be difficult to achieve due to the weak business environment and low capacities of enterprises and the TSN. Therefore, the focus during this phase will lie in strengthening current export relationships (in existing markets) and bringing new products to market (in current markets).

The outlook for exports in the **medium-to-long term** (3+ years) is expected to focus on expansion of export relationships in hitherto unexplored markets (market development), or focus on the more ambitious aspects of new product development in altogether new markets (full diversification).

In the longer term, it is expected that the evolving capacities of Palestinian exporters – across multiple dimensions including quality management, supply capacities, and marketing/branding – in conjunction with the improving business environment and export value chain improvements affected by the NES and sector PoA implementations, will allow exporters to target other markets in the medium-long term which seem hard to penetrate at the moment.

SHORT TERM (0-3 YEARS)

As discussed above, the focus in the short term will lie in market penetration (deepening exports of existing products in existing markets), and product development (facilitating exports of new products to existing markets).

Table 10 splits short-term target markets between existing markets and potential markets, to which Palestinian olive oil producers have exported nothing to date. The existing markets are along the Persian Gulf and in North America. Potential targets are Brazil and China.

Source: © joffwilliams.

Table 10: *Short-term target markets for Palestinian olive oil*

	Palestinian olive oil exports, 2010 (US$ thousands)*	Annual % growth of olive oil imports, by value (all suppliers), 2007-2011*	Annual GDP growth estimates (%) 2013-2017 average**	Bilateral tariff advantage, relative to likely competitors***
United Arab Emirates	4 559	12	3.5	0% vs. 5% for non-LAS† and non-GCC countries
Saudi Arabia	2 718	14	4.3	0% vs. 5% for non-LAS and non-GCC countries
Canada	1 884	2	2.2	No advantage. 0% to all
United States	1 308	-1	3.0	0% vs. applied MFN of 1.07%
Kuwait	1 223	11	3.2	0% vs. 5% for non-LAS* and non-GCC countries
Brazil	No exports in recent years	20	3.9	10% vs. 0% for Argentina and Chile
China	No exports in recent years	46	8.4	30% vs. 4% for Chile and 10% applied MFN

* Source: ITC calculations based on UN Comtrade statistics
** Source: IMF estimates
*** Source: ITC calculations based on UNCTAD and WTO statistics
† LAS means League of Arab States. GCC means Gulf Cooperation Council.

UNITED ARAB EMIRATES

In 2008, the latest year for which data is available, Palestinian olive oil accounted for 16% of Emirati imports. The State of Palestine's market share was 16%, making the UAE the market where the State of Palestine has the most reliably dominant share. However, it was only the third largest source for Emirati olive oil imports, where the Syrian Arab Republic had 32% market share and Spain 18%.

The UAE has the sixth highest per capita income in the world, a population with a strong sense of solidarity towards the State of Palestine, and a long history of importing Palestinian olive oil. Anecdotes portray Emirati demand as almost nostalgic, with consumers favouring olive oil sold in the beat-up tins from the State of Palestine that they grew up with.

However, the UAE is also a premier market for gourmet products. The gourmet appeal of new products like herb-infused or super-premium olive oil; Emirati affinity for the State of Palestine as an import origin; and the State of Palestine's firm foothold in the market, make the UAE a high priority.

SAUDI ARABIA

Between 2001 and 2007 Saudi Arabia consistently imported olive oil from eight countries. In each year, the State of Palestine ranked between third and fifth by export volume. Saudi Arabia's imports declined markedly during the global financial crisis in 2008 and 2009, and imports from five of their eight sources dried up completely. The Syrian Arab Republic took over most market share from those five countries, going from less than half of market share to over 70%. However, the State of Palestine and Tunisia maintained their positions.

The State of Palestine's position in Saudi Arabia is solid, but any improvement will have to come at the direct expense of the Syrian Arab Republic. Palestinians interested in exporting to Saudi Arabia need to understand consumer perceptions of Syrian olive oil and position Palestinian olive oil as a better alternative.

It should be noted that reliable trade data is available only through 2010, before the current conflict in the Syrian Arab Republic began. Estimated trade data for 2011 indicates that total Syrian exports may have fallen by as much as 37%. Presumably, this would be reflected in the export of olive oil, and Palestinian exporters should move to fill that gap.

Source: © Trade for Development.

KUWAIT

As in Saudi Arabia, Kuwait consolidated its sources of olive oil imports during the global financial crisis. For 2006-2007, Kuwait imported from an average of 21 countries. In 2008, imports completely stopped from all but three countries. These were the State of Palestine, which doubled its exports to take 66% of the Kuwaiti market; the Syrian Arab Republic, which had previously been dominant; and Jordan with 6% of the market. Major import sources which disappeared in 2008 include world leaders Italy and Spain. It appears that Palestinian olive oil was seen as a cheaper, lower-quality alternative to Syrian olive oil, but that both were attractive in difficult economic times.

UNITED STATES

The value of Palestinian exports to the United States has increased nearly 20-fold over the last five years of complete data (2006-2010), going from US$42,000 to US$829,000. Over the same period, the United States market shrank by 2.8%, meaning that the State of Palestine gained market share. In 2006, it was the 24th largest exporter of olive oil to the United States. In 2010, it was the twelfth.

However, there is still much room to grow, as Palestinian olive oil represents a mere 0.125% of the United States market. Italy accounts for over half, and adding the shares of Spain and Tunisia accounts for almost 90%. This is not to say that the State of Palestine should seek to compete with these countries. They deal in much larger volumes, with Italian exports to the United States equalling almost 30 times all of the State of Palestine's annual production volume. Rather, the State of Palestine should focus on the United States' high-end, organic, and fair trade markets. The Palestinian diaspora, which numbers about 68,000 according to the 2010 United States Census, may provide important commercial links for continuing to grow Palestinian exports there.

CANADA

Before 2010 Canada had not featured prominently among the State of Palestine's export destinations, with annual values in the US$100,000 to US$200,000 range, but in 2010 this jumped to US$1.9 million. Palestinian exporters should be especially careful to nurture trade relationships established that year. Among the top 10 importers of olive oil, Canada's demand has had the highest average annual growth rate this century, with 14.3% between 2001 and 2011. Among the top 10, only Canada and the United States, with a growth rate of 12.1%, outpaced the 10.9% growth of the global olive oil market.

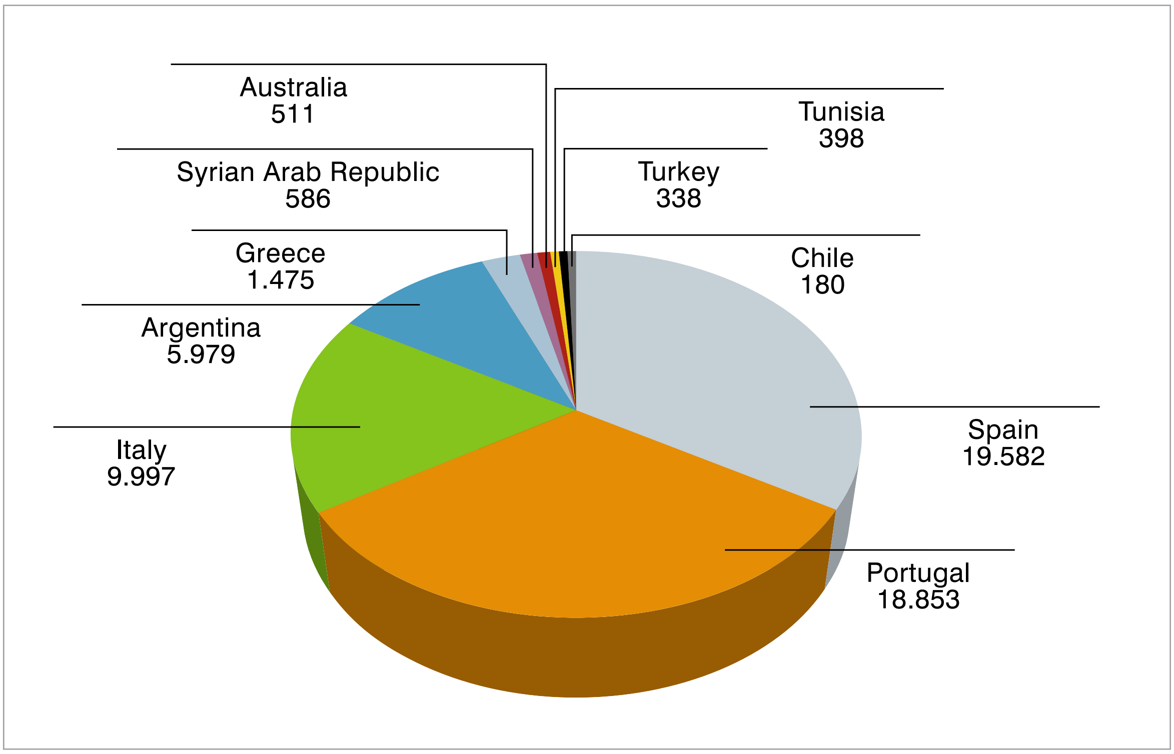
BRAZIL AND CHINA

The United States and Canadian markets have had steady growth, but Brazil and China have been most remarkable. Brazil grew 29% per year from US$18 million in 2001 to nearly a quarter of a billion dollars in 2011. China's imports have doubled each year on average, going from US$132,000 in 2001 to US$132 million in 2011.

Although the United States and Canada rank among the State of Palestine's top four destinations for olive oil, it has recorded no exports whatsoever to the booming markets of Brazil and China, worth a combined US$357 million. Twenty-four countries have exported virgin olive oil to Brazil and China, with 10 supplying 99.7 per cent of their combined imports (see figure 9). This group is dominated by Spain, Portugal, Italy, and Argentina, who together hold 94% of the combined market share. The 2011 prices paid per ton for Brazilian and Chinese imports of olive oil were more than for any other top 10 importer except Japan.

The presence of approximately 50,000 Palestinians in Brazil, a number near that of the United States and double that of Canada, should be taken advantage of in establishing commercial contacts and acquiring intelligence on Brazilian consumers and the Brazilian market.

Figure 9: *The top 10 countries participating in the booming olive oil imports of Brazil and China (tonnes)*



Source: ITC calculations based on UN Comtrade statistics

MEDIUM-LONG TERM PHASE (3+ YEARS)

The focus of the sector for the medium-long term phase will be in market development (exporting products to new markets) and diversification (exporting new products to new markets).

Table 11: *Medium-long term target markets for Palestinian olive oil*

	Palestinian olive oil exports, 2010 (US$ thousands)*	Annual growth of sector imports (all suppliers) 2007-2011*	Annual GDP growth estimates** (%) 2013-2017 average	Bilateral tariff advantage***
Italy	18	-2	0.6	0% versus applied MFN of 45.01%
France	494	-3	1.2	0% versus applied MFN of 45.01%
Germany	97	-6	1.2	0% versus applied MFN of 45.01%
United Kingdom	677	-5	1.6	0% versus applied MFN of 45.01%

* Source: ITC calculations based on UN Comtrade statistics
** Source: IMF estimates
*** Source: ITC calculations based on UNCTAD and WTO statistics

ITALY, FRANCE, GERMANY, AND THE UNITED KINGDOM

Between 2007 and 2011 export demand from all of these EU countries contracted, but they nevertheless accounted for half of global export demand for olive oil in 2011. The State of Palestine exports to all of them but in minor quantities; only 83 tonnes out of 3,169 exported in 2010. As in the United States market, where Palestinian supply increased 20-fold in four years but still accounts for only 0.125% of the market, there is still much room to grow in small but higher-margin niche markets in these countries. Contrary to the decline in overall market size, anecdotal evidence suggests that small market segments for organic and fair trade olive oil are booming.

The EU is also home to the largest exporters of olive oil, including Spain and Italy, which provide 75% of world exports. There may be a temptation to base strategies for exporting to the EU on the anticipation of its agricultural subsidies ending, but this should be resisted. That event is far from assured, and Palestinian olive oil producers are adequately prepared to compete internationally without waiting for uncertain improvements in situations such as EU agricultural subsidies or Israeli restrictions on trade and movement.

STRUCTURAL IMPROVEMENTS TO THE VALUE CHAIN

STRENGTHEN THE SUPPLY CHAIN FOR AGRICULTURAL EQUIPMENT AND RELATED SERVICES

The modernisation, quality management, and commercial optimisation of the Palestinian olive oil sector necessarily entails the more widespread use of equipment and services not widely demanded in the State of Palestine today. The value chain should include the manufacture of organic fertilizers; the import and sale of irrigation systems and olive picking machines; and the provision of installation, repair, and maintenance services.

IMPROVE INFRASTRUCTURE FOR TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET)

Fully implementing modern, commercially optimal agricultural and managerial practices will require more education than Palestinian TSIs are able to provide. The curricula and infrastructure of TVET institutions must be strengthened. These institutions should be tightly linked both to public stakeholders and private olive oil associations and cooperatives for the collaborative tailoring of educational offerings and graduate job placement.

SUPPORT THE GREATER USE OF CONSULTING SERVICES FOR AGRICULTURAL MANAGEMENT, PRODUCT DEVELOPMENT, AND MARKETING, INCLUDING BRANDING

This strategy proposes educating farmers in basic agrarian management. This should create greater awareness of the role of consultants as providers of high value services that farmers would not want to invest in developing themselves. The value chain should grow accordingly to include more consulting firms in the areas of farm management, product development and marketing, including branding.

INCLUDE AND EMPOWER WOMEN

Women are already deeply involved in the cultivation and harvesting of olives but men own more land, produce more olive oil, and dominate distribution of olive oil. Special initiatives should be designed with the purpose of better including and empowering women in the olive sector. Examples include women-only trainings held at times designed to be convenient for mothers, and women-only cooperatives for the production of olive tapenade and other new products. These would allow women to take large market shares early in the lives of markets and to better compete with men in older markets.

INCREASE THE CAPACITIES OF OLIVE OIL PRODUCERS TO MANUFACTURE SOAP AND COSMETICS

As olive production grows in execution of this strategy, olives may be sorted by quality or chemical and physical characteristics according to their best uses in a range of newer products. These could include olive paste or tapenade, soap and cosmetics, as well as better differentiated market segments for olive oil. This will require new inputs, processes and skills, as well as new linkages to existing firms in the food and cosmetics sectors.

Source: © joffwilliams.

HOW TO GET THERE

STRATEGIC OBJECTIVES

The NES design process was highly inclusive of all major stakeholders in the olive oil sector. This was critical to understand the real situation on the ground from every angle, to build consensus on the strategic steps to be taken, and to start the work of assembling a coalition of actors with the interest and ability to jointly implement the strategy in a decisive and effective manner. The following section contains the plan of action for this implementation. It is broken into targeted activities or projects, each with its own concrete goals, beneficiaries, and responsible parties. Implementing partners include MoA, PARC, PalTrade, PSI, the Union of Agricultural Work Committees (UAWC), and various consulting firms hired through these partners.

Each of the activities contributes in one or more ways to the accomplishment of the following **strategic objectives**:

1. Enhance the capacities of the olive sector to serve international markets in quantity and quality. This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Ensure that quality and varieties of seedlings are aligned to sector needs;
   - Reduce the fluctuation in olive oil volume;
   - Encourage the adoption of good agricultural practices (GAP) and good manufacturing practices (GMP) in the olive oil sector;
   - Promote developmental measures in order to reduce production costs and increase efficiency;
   - Facilitate access to finance.

2. ***Enhance the capacity of the sector to process high quality and varied products responding to market demands and requirements.*** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Enhance the adoption of best business management practices by sector stakeholders;
   - Increase the capacities of the sector in terms of production inputs and storage;
   - Enhance quality management within the sector;
   - Enhance the sector's capacities to address target market needs.

3. ***Increase the organization and management of the sector to structure its development.*** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Enhance the organization of the sector;
   - Improve the management and governance of cooperatives;
   - Develop the capacities of TSIs.

4. ***Increase visibility and promotion of olive sector products to increase accessibility and competitiveness in target markets.*** This objective will be realized through initiatives implemented along the following dimensions (or operational objectives):
   - Enhance the sector's exposure to the global market;
   - Enhance the sector's marketing capacities;

The **types of activities** undertaken will include training, provision of information and assistance, institutional strengthening and funding, and stakeholder outreach. The **immediate outputs** of these activities should be improved performance by farmers and firms in the olive sector and by the public bodies meant to support them. Olive farmers and olive oil manufacturers would adopt best practices in the areas of agriculture, manufacturing, and management. The public sector would deliver better trade information and trade logistics, while facilitating better quality management and access to finance. Together the activities will lead to better coordination, economies of scale and investing power among farmers and firms acting jointly through cooperatives and other associations.

The first step to rolling out the plan of action is matching the activities to **donors**, many of whom were heavily consulted during the NES design process. If all activities

Source: © Trade for Development. Palestine, olive press, 2011

are fully funded and implemented it is expected that the quantity of the State of Palestine's olive oil exports would increase five-fold by 2020. The largest and most immediate export growth is expected to occur in niche markets – gourmet, organic, fair trade, Palestinian solidarity, etc. However, as the value chain strengthens and quantities and quality become reliably high, Palestinian olive oil should become more competitive in more mass markets. As Palestinian exporters get more experience in a diversity of countries they will be able to start participating in more exotic mass markets like Brazil and China, where the most exciting growth is occurring.

Palestinian olive oil faces many disadvantages, some of them intractable, but that is true of any place. On balance, Palestinian olive oil is advantaged by quality, by being a well-established sector, and by having the intense interest of the international donor community. The time, cost, and effort needed to upgrade the sector is relatively little, representing a valuable opportunity for the Palestinian state as a whole, creating economically and environmentally sustainable jobs in a part of the world where they are sorely needed. Women, in particular, stand to gain much from these developments, as more than one in seven working Palestinian women are employed in the olive sector.

IMPORTANCE OF COORDINATED IMPLEMENTATION

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation involving efficient allocation of resources and monitoring of results at both the micro and macro levels.

To this end, the Palestinian Export Council (PEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the National Export Strategy. In particular, PEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, the implementation of the olive oil strategy will fall within the purview of PEC.

Specific efforts will be directed towards involving donor, private, and public sector organizations in the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance the realization of the strategic objectives. With a 360 degree view of progress, PEC will be best placed to manage funding and provide regular reports to donors and stakeholders.

Moreover, PEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the State of Palestine's changing needs.

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

A number of institutions will play a key role in the implementation of the plan of action for the olive oil sector, as illustrated in the TSI section and the PoA. These are institutions that have the overall responsibility for successful execution of the strategy, as well as support institutions that are active partners but not leading institutions. Each institution mandated to support the export development of the olive oil sector is clearly identified in the strategy plan of action.

THE STATE OF **PALESTINE**
NATIONAL EXPORT STRATEGY

PLAN OF ACTION

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Strategic Objective 1: Enhance the capacities of the olive sector to serve international markets in quantity and quality.

Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
1.1 Ensure quality and varieties of seedlings are aligned to sector needs.	1.1.1 Introduce the appropriate multiplication methods among 10 nurseries and 20 cooperatives through training them on modern multiplication methods. The training will be delivered by expert agronomists in two locations: north and centre of the State of Palestine.	2	Farmers	Number of participants	Training material, list of participants	PARC	MoA, UAWC, PFIU, olive unions, donors		70 000
	1.1.2 Organize experience exchange programmes between cooperatives and farmers to disseminate best practices. This is important because most Palestinian olive oil is produced by individual farmers based on inherited experience that does not give optimal volume.	2	Cooperatives and farmers	Number of programmes	Number and list of participants	MoA	PARC, UAWC, PFIU, olive unions, consulting firms, donors		100 000
	1.1.3 Conduct scientific research on the appropriate multiplication method for olive seedlings in order to be able to supply the required volumes to the market. This will be conducted in cooperation with nurseries and specialized consultants.	1	Cooperatives, farmers and exporters	Scientific research conducted and published	Contract with consulting company	MoA	Nurseries, universities, PARC, PFIU, UAWC		120 000
	1.1.4 Certify and control quality of seedlings based on an initiative by PSI to monitor nurseries and certify seedlings.	1	Cooperatives, farmers	Number of quality control tests conducted	Number of certificates issued	PSI	MoA, universities, PARC, PFIU, UAWC		300 000
1.2 Reduce the fluctuation in olive oil volume.	1.2.1 Provide harvesting (picking) tools that are important for harvest and can improve the quantity of olives.	2	Cooperatives and farmers	Number of tools provided	Number of beneficiaries, pictures	MoA	PARC, UAWC, PFIU, olive unions, consulting firms, donors		600 000
	1.2.2 Conduct a scientific research programme about the fluctuation phenomenon in order to reduce the gap between 'good' and 'bad' seasons.	3				MoA	Universities, PSI		
	1.2.3 Deliver more extension services to farmers/cooperatives on best practices which might reduce fluctuation.	3				PARC	MoA		
1.3 Encourage the adoption of good agricultural practices (GAP) and good manufacturing practices (GMP) in the olive oil sector.	1.3.1 Provide training at the enterprise level in order to tackle GAP and GMP issues that have relevance in the Palestinian olive oil sector. The following areas will be covered: » Seedlings » Fertilizing » Fighting diseases » Pruning » Pressing requirements and conditions » Storage » Documentation practices and traceability » Environmental risks.	3	Cooperatives, farmers, exporting companies	Number of co-ops trained, usage rate of GAP by co-ops	Training reports, monitoring reports	MoA	PARC, UAWC, PFIU, donors		600 000
1.3 Encourage the adoption of good agricultural practices (GAP) and good manufacturing practices (GMP) in the olive oil sector.	1.3.2 Create a guide containing a Code of Practice based on relevant GAPs and GMPs, and distribute it among cooperatives, pressing mills and exporters. This will be done through contracting a consulting firm to develop the guide.	2	Cooperatives, farmers, exporting companies, TSIs, MoA	Contract with consulting firm	The guide document	PSI	MoA, PARC, UAWC, PFIU, donors		40 000

Strategic Objective 1: Enhance the capacities of the olive sector to serve international markets in quantity and quality.									
Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
1.3 Encourage the adoption of good agricultural practices (GAP) and good manufacturing practices (GMP) in the olive oil sector.	1.3.3 Provide train-the-trainers trainings to agronomists to ensure adoption of the best practices in the sector according to the developed Code of Practice. The agronomists will receive theoretical training and training guides by experts in olive oil.	1	Cooperatives, farmers, exporting companies	Number of participants	Training material, list of participants	PARC	MoA, olive sector representatives, donors		200 000
	1.3.4 Conduct a national plan to fight agricultural diseases in major areas producing olive oil by distributing materials and tools to cooperatives.	2	Cooperatives, farmers	National plan launched	Documents of national plan	MoA	PARC, UAWC, PFIU, olive unions, donors		240 000
	1.3.5 Enable extension services training to provide GAP to olive oil farmers and cooperatives by increasing the number of trained agronomists supporting the sector.	2	Agronomists, cooperatives	Trainings conducted	List of participating agronomists	MoA	PARC, UAWC, PFIU, olive unions		120 000
	1.3.6 Organize experience exchange programmes between cooperatives and farmers to disseminate best practices. This is important because most Palestinian olive oil is produced by individual farmers.	2	Cooperatives, farmers	Number of participants	Number of sessions, visits, reports, photos	UAWC	MoA district level, UAWC, PARC,		120 000
	1.3.7 Encourage cooperatives and village councils to support GAP through provision of tools that are important for harvest and can improve the quality of olive oil.	2	Cooperatives, farmers, exporters	Number of beneficiaries and tools provided	List of beneficiaries and tools	MoA	Ministry of Local Government, PARC, UAWC, Palestinian Farmers Union		240 000
1.4 Promote developmental measures in order to reduce production costs and increase efficiency.	1.4.1 Develop and provide a training programme based on the Code of Practice and positive case studies/success stories, aiming at promoting and implementing production tools to increase the efficiency in sector. The training courses will be developed in cooperation with local and international consultants and agronomists, and carried out in each governorate by trained agronomists. » Training courses will be conducted with regards to: » Harvest methods (pre- and post-harvest); » Trimming times and methods; » Insecticides and diseases fighting; » Water use efficiency (complementary irrigation system).	3	Cooperatives and farmers	Number of participants	Training material, list of participants	MoA	PARC, UAWC, PFIU, olive unions, consulting firms, donors		300 000
1.5 Facilitate access to finance.	1.5.1 Lobby for access to agricultural loans and better interest rates in order to support companies to increase their efficiency. A lobby or a body will be created, consisting of different stakeholders in the sector. This lobby or body is in charge of periodically meeting with industrial lenders (banks, lending institutions).	2	Farmers, cooperatives, exporting companies	Body by-laws	Meetings minutes	PFIU	MoA, PalTrade, PARC, UAWC, PFIU, olive sector representatives		100 000
	1.5.2 Define and establish mitigation measures (insurance, access to finance etc.) to encourage investment in the sector, This will be done through the lobby mentioned above to urge the government to give incentives to lenders and insurance companies.	1	Farmers, cooperatives, exporters`			Palestine Investment Promotion Agency			

Strategic objective 2: Enhance the capacity of the sector to process high quality and varied products responding to market demands and requirements.

Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
2.1 Enhance the adoption of best business management practices by sector stakeholders.	2.1.1 Develop best business management practices for Palestinian cooperatives through contracting international and local experts to develop a Palestinian customized best management practices manual and disseminate it within the sector.	1	Cooperatives	Contract with the consulting firm	Documents provided by the consulting firm	MoA	PARC, UAWC, PFIU, olive sector representatives, donors, consulting firm		120 000
2.2 Increase the capacities of the sector in terms of production inputs and storage.	2.2.1 Establish a joint factory (multiple owners) to provide storage materials and packaging materials to the various producers, presses and exporters.	2	Producers, exporters, mills	Factory registration	Documents of registration, factory blueprints	PFIU	MoA, PARC, UAWC, olive sector representatives, donors, consulting firms		2 000 000
	2.2.2 Establish storage facilities in different areas and promote quality storage for better qualities of olive oil.	1	Producers, exporters, mills	Facilities' establishment approval/number of facilities established	Signed documents	MoA	PARC, PFIU, UAWC, olive sector representatives, donors, consulting firms		600 000
2.3 Enhance quality management within the sector.	2.3.1 Design and implement a monitoring and control system for mills to ensure the best level of olive oil quality is being produced. Give certificates of conformity to the complying mills.	2	Producers, mills, exporters	Designed system	Documents of the system	PSI	MoA, PARC, PFIU, UAWC, olive sector representatives, consulting firms		150 000
	2.3.2 Establish and accredit an internationally accredited testing lab.	2	Producers, mills, exporters	Lab registration and accreditation	Documents of registration, certification	PSI	International Olive Oil Council, MoA, PARC, PFIU, UAWC, olive sector representatives		1 000 000
2.4 Enhance the sector's capacities to address target market needs.	2.4.1 Identify international market requirements in terms of certifications and quality standards and disseminate them to sector stakeholders.	1	Cooperatives and exporting companies	Contracts with experts	List of requirements	PalTrade	PARC, UAWC, PFIU, olive sector representatives, donors, consulting firms		120 000
	2.4.2 Conduct a programme to certify 20-30 Palestinian cooperatives as organic.	3	Cooperatives	Signed contracts with cooperatives	Number of participating cooperatives	MoA	PARC, UAWC, PFIU, olive sector representatives, donors, consultants		200 000

Strategic objective 3: Increase the organization and management of the sector to structure its development.

Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
3.1 Enhance the organization of the sector.	3.1.1 Reorganize the Palestinian Olive Oil Council on the basis of good governance.	3	Producers, cooperatives, exporters	New board of directors	Meeting minutes, documents of electing new board of directors	MoA	PARC, UAWC, PFIU, olive sector representatives, donors, consultants		50 000
	3.1.2 Develop a roadmap for activities regarding the development of the olive oil sector and identify roles of stakeholders to avoid duplication and overlap.	2	Cooperatives, exporters	Roadmap available	Roadmap document	MoA	PARC, UAWC, PFIU, olive sector representatives, donors, consultants		100 000
3.2 Improve the management and governance of cooperatives.	3.2.1 Organize training courses about best management practices to strengthen governance and management at existing co-ops.	2	Cooperatives	Number of trainings conducted	Training documents	PARC	MoA, UAWC, PFIU, olive sector representatives, donors, consultants		120 000
	3.2.2 Revise the legal framework for co-ops in terms of by-laws. Create a new prototype and disseminate it to cooperatives.	1	Cooperatives	Revised by-laws available	New by-laws documents	Ministry of Labour	Ministry of Interior, MoA, UAWC, PFIU, olive sector representatives, donors, consultants		100 000
	3.2.3 Promote best practice in organization of production and marketing to show co-ops and farmers the potential of effective management.								
3.3 Develop the capacities of TSIs.	3.3.1 Build the capacities of directly related TSIs to equip them with the required knowledge to respond to the inquiries of farmers, exporters and cooperatives. » Conduct training courses with regards to: » International standards and regulations; » Certification procedures; » Best practices in the sector. » The training courses will be carried out by local and international consulting firms.	3	TSIs, farmers, cooperatives, exporters	Number of training courses	Training materials, list of participants	MoA	PARC, UAWC, PFIU, olive sector representatives		400 000
	3.3.2 Develop a portal in order to provide information for cooperatives, exporters and the local TSIs about: » Trade logistics information; » Global and target market needs and developments; » International certification requirements; » Quarterly newsletter.	3	Exporters	Contract with information and communication solutions company	Website link	PalTrade	PARC, UAWC, PFIU, olive sector representatives		150 000

Strategic objective 4: Increase the visibility and promotion of olive sector products to increase accessibility and competitiveness in target markets.									
Operational objective	Activities	Priority 1=low 2=med 3=high	Beneficiaries	Target measures	Means of verification	Leading implementing partners	Supporting implementing partners	Existing programmes or potential support	Estimated costs (US$)
4.1 Enhance the sector's exposure to the global market.	4.1.1 Facilitate the participation of Palestinian exporters and cooperatives in four international exhibitions over two years: » Assess the availability of exhibitions in the sector, seek invitations, secure visas and a participation booth, either through donations or through discounts for the Palestinian delegation.	3	Exporting companies	Number of participations in events	List of participating companies	PalTrade	MoA, PFIU, UAWC, PARC, olive unions, donors, Palestinian Agricultural Cooperative Union (PACU)		400 000
	4.1.2 Launch business to business (B2B) meetings with potential international clients from target markets and potential new markets to promote Palestinian olive oil and enhance cooperation: » Organize B2B meetings in the State of Palestine; » Participate in B2B meetings abroad.	3	Exporting companies	Number of B2B meetings attended	List of participating companies	PalTrade	MoA, PFIU, UAWC, PARC, olive unions, donors		380 000
	4.1.3 Develop market penetration strategies for targeted markets. This will be done for 10 markets that will be identified as attractive for Palestinian olive oil producers, through contracting consulting firms.	3	Exporting companies	Contracts with consulting firms	Strategies, photocopies of contracts	PalTrade	MoA, PFIU, UAWC, PARC, olive unions, donors		400 000
4.2 Enhance the sector's marketing capacities.	4.2.1 Conduct training courses for employees of companies about marketing, design and development of promotional material, with regards to identified target markets and market segments. Develop promotional material, which will be distributed to international olive oil importers in global target markets and used at exhibitions and B2B meetings.	2	Exporting companies	Developed promotional materials	Training materials	PFIU	PalTrade, UAWC, PARC, olive unions, donors		150 000
	4.2.2 Establish a network of fair trade producers and exporters to attract buyers in targeted markets. This is important because the global customer trend now is to buy from small producers.	2	Farmers, co-operatives and exporting companies	Number of involved members	Registration documents	Palestinian Fair Trade Producers Association	PACU, PalTrade, UAWC, PARC, olive unions, donors		100 000
	4.2.3 Carry out a promotional campaign on international level cooperation among olive oil exporters who promote a joint brand. The branding also includes participation in two international fairs.	2	Exporters	Involved companies	Joint brand registration	PFIU	POOC, PalTrade, PARC, UAWC, olive unions, donors		200 000

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