POLICY BRIEF

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Intensification and expansion of the olive oil sector in Alentejo: key challenges for sustainability

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Increases in olive oil production and in olive grove extension, represent the most intense and rapid process of change in land-use and farming systems in Alentejo over the past few decades. It is widely acknowledged that this process has been triggered by recently increased water availability, and by relatively low agricultural land prices. Furthermore, this process of expansion has been underpinned by explicit political support for foreign and other capital investment, which has been considered as a key asset for development in National, Regional and Local policies and Planning instruments.

However, intensive and super-intensive systems of production, transformation and marketing are highly controversial from an ecological-sustainability stand-point. This does not seem to detract the fact that these processes of change are widely accepted by Portuguese regional and local societies, as well as by policy-makers, as a trigger for local economic and regional development. Importantly, these changes have largely evolved in parallel to the financialization of an agricultural regional system, which is still largely bounded by traditional values and attitudes. Nonetheless, the olive oil sector has been growing at lower pace over the last couple of years. Furthermore, it is also evident that this process of change does not result in an end for traditional management and production practices of olive oil, which are still surviving in parallel, in part thanks to the rising of demand for high quality and organic food products.

The following key messages are intended to draw attention to the issues that have arisen from our research and which have potential policy implications for the olive oil sector.

Key messages

- In general, agricultural policies are not considered by many of the stakeholders involved in SUFISA as a key factor fostering the profitability and competitiveness of the sector. This is clearly the case for the CAP.
- It is widely agreed that CAP in its present form is not essential for intensive systems and does not provide clear or efficient support lines for those operating in traditional production systems, or for those that wish to open up alternative strategies (e.g. organic).

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- Nonetheless, there are other sectoral policies, notably water policy and International trade agreements which seem to exert a larger influence on the sector.
- Markets are volatile in general, but intrinsic in the control systems of inputs (e.g. water) in the intensive, and especiall in the super-intensive production systems, grants them a clear competitive and technological advantage, especially in the Mediterranean context.
- In general, the prices and quality standards of olive commodities are still clearly advantageous for the region, but many of the key economic actors in the region question for how much longer this will be the case.
- Also, some niches exist for other production systems (e.g. organic), although they are still very minor nationally, and are hampered by the lower consumptive capacity linked to the economic crisis, of which Portugal is now successfully recovering.
- Access to private credit for investment in land and infrastructure is still relatively easy, but it is still mostly available to larger investment groups, and foreign investors, leading to the rapid financialization of the sector. Genuine concerns were detected regarding the low levels of ecological sustainability within intensive and super-intensive production systems. Such concerns are reflected across a wide range of societal and policy actors and in the media, but are much less frequent among intensive and super-intensive farmers, big companies, exporters and lobbyists.
- In contrast, social and economic aspects of sustainability are generally perceived (e.g. in the media, but also in politics) as positive, especially in the case of intensive and super-intensive production systems.
- Regarding traditional production systems, the main constraints detected relate to their (lack of) financial capacity to compete with intensive systems, and on how best to promote alternative (e.g. organic, gourmet) commercial options that would ensure their sustainability.
- In the case of traditional/extensive producers, two main strategies prime; gaining competitiveness through gradual intensification, and fostering diversification and multi-functionality, including the production of higher-added value. Cooperatives are also strong and effective institutional arrangements that operate mostly at the local level, and that are related to traditional varieties.
- The sector will likely keep growing in the future, although many indicate that this might happen at a steadier pace than what followed over the past couple of decades. However, the current diversity of producers´ management and commercial strategies will still prevail, and alternative (e.g. organic, gourmet) options will most probably keep their minor role. In this context, higher internationalisation (new markets) and better marketing strategies are key for the sector to maintain its current growth rate.
- The nature of current prevalent institutional arrangements are directly dependant on sales channels, with the arrangements bearing stronger bargaining market-power for the producers being available only to the biggest and frequently, to the most intensive producers.
- Quality standards are an essential factor for the final price and product competitiveness, and thus virtually all producers are directly influenced by these standards in their capacity to compete in an increasingly globalised market scene. These competitive advantages will likely become even more important in the near future.
- Regarding the levels of satisfaction with current sales agreements, most producers seem to be largely optimistic, and see themselves as willing to continue with their businesses, frequently aiming at improving production, either through intensification or added value (e.g. via organic labelling and certification).
- The majority of these same producers aim to expand or maintain their businesses, especially through intensification, with interest in abandonment being practically unencountered in the sector and region.
- The kinds of actions that farmers perceive to be most urgently required for improving their businesses´ sustainability include a wide range of diversification to improving insurance, although among all of these, those related with financialization and technological and infrastructural improvements score highest.
- Technical support is aligned with the type of production system and management model. Thus, in the case of intensive and super-intensive farms, producers mostly opt for private

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technical services, whilst traditional, smaller and extensive producers largely depend on cooperatives and informal arrangements for technical advice.

- Support received mainly relates to quality control and certification. Public-extension services are virtually non-existent but are nevertheless identified only by traditional and extensive farmers of smaller-sized properties as key gaps in the system.
- Cooperation and discussions are mostly held by farmers with technical advisors and members of cooperatives, although this is again correlated with the type of production system, being generally much more relevant in smaller farms, whilst larger farms only cooperate if a commercial contract is in place, but rarely informally.
- Accordingly, few of the largest producers acknowledge that the lack of horizontal cooperation is problematic for the sector, whilst many of the traditional and smallest ones indicate how this hampers their competitiveness and market power.
- Last, whilst many farmers operating in smaller family businesses expressed an interest to pass on their businesses to future family generations, this is frequently difficult, due to little interest for farming by many of these heirs.
- In contrast, many intensive and super-intensive producers are mostly interested in securing shareholder´s benefits, and those looking at establishing a family business are in a minority. This results in a great proportion of producers in the region lacking clarity on where the future ownership of their businesses will be held.
- Lastly, various strategies and solutions for the sector that can be identified across various scenarios including further advancing water technological innovation and securing an overall strategic plan for the sector to implemented that ensures all production modes succeed.

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