

# FTAS MAKING A SPLASH FOR OLIVE OIL EXPORTS

FTA CASE STUDY | JULY 2019

Australia's Free Trade Agreements (FTAs) helped South Australian olive oil grower and packager Oleapak to kickstart its international business. The company has grown tenfold since it started exporting in 2014.

Located in South Australia's Fleurieu Peninsula, Oleapak Olive Oil Sales & Packaging is Australia's largest family-owned grower and packager of premium extra virgin olive oil. As the oldest contract packaging business in the Australian olive oil industry, the eight-person company processes more than 25,000 bottles a day for local and international customers.

After several years of organic growth, in 2014 Oleapak suffered a tragic blow when Managing Director Ed Vercoe's business partner passed away. Even as he was mourning his friend, Vercoe realised he had to stabilise the business quickly – and the way to do that was to start exporting.

## Asia the top export choice

When considering where to export, Vercoe says Asia was at the top of the list given Australia's Free Trade Agreements (FTAs) with the region and changing consumer tastes.

'I knew that Asia would be the way to go because it was westernising its food culture, so they were going to use more and more Western-style food products, including olive oil,' he says.

Australia's counter-seasonality to the Northern Hemisphere also worked in Oleapak's favour when it came to exporting to Asia.

'Olive oil only lasts for about 12-18 months, so we can offer a fresh oil when our European competitors can't,' says Vercoe. 'Our proximity to China and



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Ed Vercoe, Managing Director, Oleapak Olive Oil Sales & Packaging

Japan is also useful in ensuring our product gets there quickly.'

To streamline and simplify customs procedures, Oleapak applied for Australian Trusted Trader accreditation. This free accreditation not only enabled Oleapak to expedite the flow of its cargo in and out of Australia, it also allowed the company to distinguish its products from European competitors.

'The Trusted Trader accreditation really helped us; I believe the Chinese and certainly the Japanese look for that stamp of certification as it signifies a quality product they can trust,' says Vercoe.



Australian Government

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## Warm reception in North Asia

Under the Japan-Australia Economic Partnership Agreement (JAEPA), the tariff for imports of olive oil into Japan is bound at zero. This made Japan a logical export market for Oleapak. The positive response to its products surprised even Vercoe.

‘Japan has really wanted a strong connection with Australia, even more than China. They’re obsessed with quality,’ he says. ‘In our first year of exporting to Japan, I think we sold \$40,000 worth of product. Four years later, we sell around \$1 million.’

Under the China-Australia Free Trade Agreement (ChAFTA), the tariff for olive oil imports is bound at 10 per cent, providing certainty for Australian olive oil exporters. This is good news for Oleapak, as the company’s export sales are growing in this key market.

Korea is another market in Oleapak’s sights. Prior to the Korea-Australia Free Trade Agreement (KAFTA), the base tariff for import of olive oil into Korea was at 8 per cent. Under KAFTA, this has reduced to 3.2 per cent in January 2019 and will be eliminated by 2023.

‘Korea is an emerging market that we haven’t targeted as well as we could, so we intend to hit Korea a lot harder and explore the preferential tariff for import of Australian olive oil,’ says Vercoe.

Vietnam is also an export prospect, given the country’s familiarity with olive oil through its historical French influences. The base tariff for imports of olive oil into Vietnam was at 5 per cent. Under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the tariff has been eliminated since 2016. This will make Oleapak’s products a lot more competitive in the market.

‘Our business has grown tenfold since 2014, and exports have been a key driver of that growth,’ says Vercoe.

The company is building a new packaging facility, which will create jobs in the local community. In the future, Vercoe hopes to open a cellar door operation to attract both local and international visitors.

## Catering to customer tastes

As the oldest contract packaging business in the Australian olive oil industry, Oleapak can adjust the flavour profile of its products to suit customer tastes.

‘I have certain opinions on the way I think things should taste, but I’m also open-minded to what people want,’ says Vercoe. ‘I’ve never forced a taste on anyone and we have adapted our palate profiles of the oils we blend and make for the Asian market.’

While Oleapak typically has its own branding on its bottles, the company will create a label in the customer’s native language if asked.

‘We’re happy to create a label that might be in Chinese,’ says Vercoe. ‘Sometimes we use our front label with a Chinese rear label. Quite often, when it gets into the country, they have to stick their own labelling on the back. They like that a little bit more because it indicates that the product’s imported.’

## Building strong customer relationships

Building and nurturing relationships with its customers is central to Oleapak’s success.

‘We visit our Japanese customers every single year, and they come out here when we are producing their olive oil,’ says Vercoe. ‘We’re now looking at doing joint investments together – and these activities are only possible if both parties really work on growing the relationship. Don’t take your customers for granted – that would be my number one piece of advice.’

To learn more about Australia’s FTAs, visit [www.austrade.gov.au/ftas](http://www.austrade.gov.au/ftas).

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