

# Spanish Conquest

*Family-Owned Labels*

BY DAVIDE BERRETTA

**O**VER THE PAST FIVE YEARS, Italy's biggest olive-oil brands have fallen steadily into Spanish hands. **SOS Cuétara** SA's July purchase of Bertolli, one of the world's best-known olive-oil labels, gave the Spanish food company control of half the Italian market and made it the world's undisputed leader in olive-oil sales.

The Spanish conquest has left small olive-oil companies up and down Italy in a fix. Once synonymous with the olive-oil business around the world, family-owned Italian labels like Monini, Farchioni, Filippo Berio and Pietro Coricelli are now struggling to compete against the pricing power, marketing heft and distribution breadth of SOS. "It's not an easy path," says Roberto D'Auria, an analyst at agrarian research institute Ismea, who predicts that some of the brands may end up closing down or being put up for sale.

## Slippery Hold

World-wide market share of top olive oil brands in 2007



Source: Euromonitor International

Massimo Gargano, chairman of the Italian olive grower association Unaprol, says Italy's small players face a "long entrepreneurial agony" amid competition from SOS.

Maria Flora Monini, co-owner of **Olio Monini** SpA, one of the largest Italian-owned labels, says she has received offers to buy the company, which sells 30 million bottles a year. For now, though, she says the family plans to hold on, sticking to its strategy of marketing Monini as a trendy "lifestyle" brand.

Most of Monini's nine varieties of



Olio Monini produces small quantities of olive

oil are sold in supermarkets at moderate prices ranging from €4.50 to €7 (\$6.40 to \$9.95) a bottle, but the company is nonetheless working hard to enhance its brand. It sponsors some of Italy's largest music festivals, photo exhibitions at New York's Museum of Modern Art, and a magazine that is distributed to 100,000 subscribers three times a year. In 2003, it opened an olive-pressing factory, or *frantoio*, near the town of Spoleto, in Italy's central Umbria region, where it produces small quantities of olive oil and organizes olive tastings and cooking courses.

Pompeo Farchioni, chief executive of the 250-year-old Farchioni olive-oil brand from Umbria, says he has dabbled in the higher end of the market. He sells six "protected origin," or DOP, olive-oil varieties whose production is traced and certified. But those high-end bottles account for only 2% of Farchioni's overall yearly sales of €100 million. Most of the 20 million bottles Mr. Farchioni sells each year are priced between €4 and €6.

For the bulk of his business, Mr. Farchioni says, he is trying to get more space from retailers. But if that doesn't work and Farchioni starts losing money, "we might end up having to sell too," he says.

The olive-oil business conjures up romantic images of pungent green olives being squeezed through presses, and many olive-oil companies harvest some of their own olives. But the industry is mainly involved in bottling and marketing, and most bottles available in supermarkets are blends of Italian olive oil and oil made from Spanish, Greek or North African olives.

Still, olive-oil names from Italy generally hold more cachet than



## MARKETPLACE

# st Squeezes Italian Olive Oil

*Is Are Struggling to Compete With SOS Cuétara*



ve oil and organizes tastings at its factory near the town of Spoleto, above, in Umbria.

says, is to exert even more control over the entire chain of production and distribution.

To finance its growing olive-oil empire, SOS plans to spin off its four Italian olive-oil brands into a new company that will then be listed on the Milan stock market, says SOS Chief Executive Jesús Salazar. If the IPO, which is planned for sometime in the 2009 first half, is a success, SOS could be on the prowl for more Italian olive-oil brands, Mr. Salazar adds.

Pietro Coricelli SpA, a smaller Umbrian bottler, exports 65% of its olive oil to the U.S. and Northern Europe. CEO Lorenzo Coricelli says he doesn't plan to sell his company any time soon. He notes that revenue have nearly doubled over the past two years, helped by new business from selling olive oil to catering companies, which makes up about a quarter of his company's revenue.

But he is convinced change is afoot. In today's Italian olive oil market, he says, "there are about 30 companies. We should have seven or eight."

those from other countries. That's why SOS—a food conglomerate that also sells crackers, coffee and rice—began its major foray into the Italian market by buying Olio Sasso in 2004. SOS then took over Carapelli, a renowned olive-oil brand from Florence with strong sales in the U.S. And it bought Bertolli, which, according to data research firm Euromonitor, is the leading olive-oil brand in the world with 6% to 7% of global olive-oil sales. (When it bought Ber-

tolli, it also acquired the Dante brand.)

It's a good time to be the market leader. Demand for olive oil has been growing nearly 10% each year over the past five years, in step with the increased focus on healthy eating, says Euromonitor. SOS is also moving into the actual production of olives and oil. It owns Todolivo, a company that specializes in intensive olive growing, along with more than 400 hectares of land in Portugal. The goal, SOS