Case Study:

Developing the Olive Oil Sector in Palestine by Marketing a Specialty Brand

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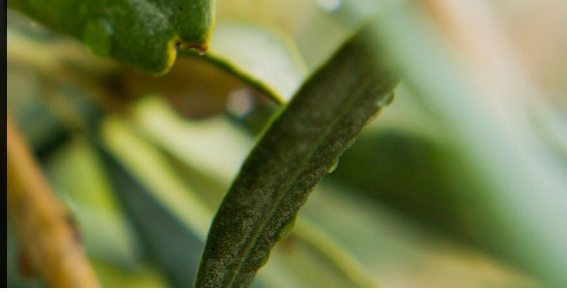

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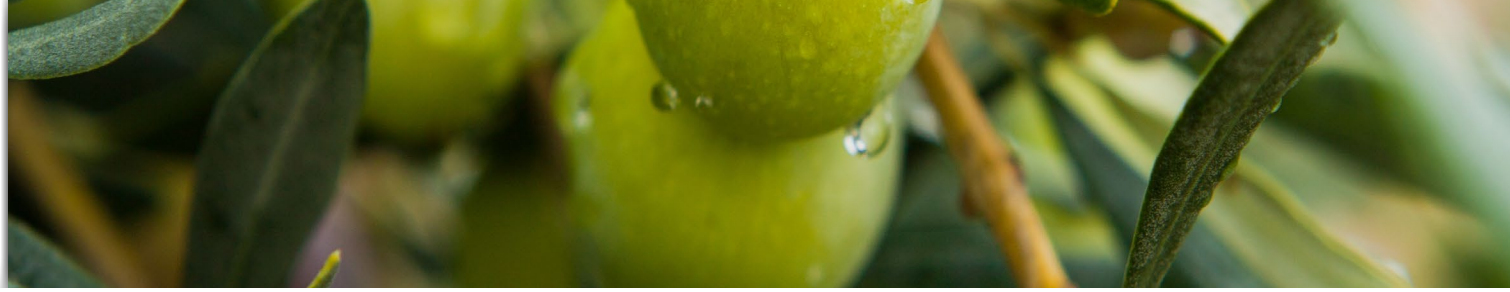


Table of Contents

Synopsis

This case describes a relationship between a U.S.-based lead firm, the Rogers Collection, and two Palestinian small and medium enterprises (SMEs) for the sale and marketing of specialty olive oil. The relationship developed with the support of the International Finance Corporation (IFC) during Phase 2 of a two-phase, five-year program designed to grow exports of Palestinian olive oil. This experience highlights the importance of fostering linkages in which both the lead firm and the SME are motivated to collaborate toward mutually beneficial outcomes and effectively define their roles. The case also demonstrates that commercial collaboration is not easy, and that new food product market offerings take time to establish.

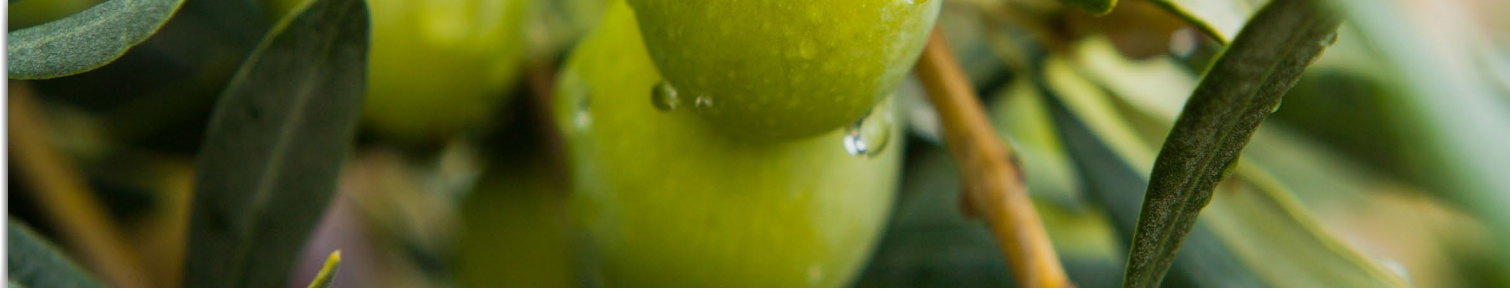
The project, led by the IFC Sustainable Business Advisory, carried out a series of measures to foster linkages between bottlers (agro-processors) and importers of olive oil, and addressed capacity issues that inhibit market access within the value chain, particularly for SMEs. The IFC support evolved from a "bottom-up," SME-focused capacity building and market linkage project to a second phase, which focused on collaboration with a lead firm to import and market a new olive oil product. The change in approach between phases of the project reflected lessons learned from Phase 1, which lacked a customized market approach. The IFC project introduced market differentiation and improved the professionalization of the olive oil industry, resulting in greater knowledge of export markets and improved product quality through certifications. Evidence of a long-term, sustainable commercial success is not readily apparent; however, at the writing of this case study, the American importer remains interested in continuing the commercial relationship with its SME producers, providing some promise for the industry.

Introduction

The International Finance Corporation (IFC) was involved in the Palestinian olive oil industry from 2006 to 2013 through two phases of an "Advisory Services Olive Oil Supply Chain Development" project, which aimed to improve product quality and linkages to export markets by working directly with olive oil bottlers. Olive oil was identified by the IFC and other donors as an important economic value chain for the country with the potential to reach new export markets. Olives and olive products contributed to 20 percent of national output and 4.6 percent of Palestine's gross domestic product (GDP). Exports of olives and olive products are particularly important because they contribute to seasonal job generation, particularly in rural areas. Other donors that are focused on the value chain tend to target the productivity and quality of primary production, as well as presses. Olive oil bottlers at the end of the value chain had largely been absent from development efforts prior to the IFC's involvement.

The IFC decided to target its efforts primarily on bottlers in order to grow exports of high-quality olive oil and directly impact the entire olive oil value chain. The project fit squarely within the IFC's mandate (known as the SME development pillar) to improve the performance of small and medium enterprises (SMEs) that have the potential to compete in the global economy but lack required knowledge and skills to operate effectively. The project was structured to work through bottlers to improve quality management at the level of firms and their supply chains, and to strengthen the ability of bottlers to access export markets. Working through bottlers was expected to have a demand-pull effect for high-quality olive oil throughout the value chain, which would effectively raise income levels for farmers and presses as a result of greater exports.

In Phase 1 of the project, the IFC focused on reducing the barriers to linkages by improving product quality and firm capacity. In Phase 2, the focus shifted to catalyzing market linkages. The IFC project thus evolved from a "bottom-up," SME-focused capacity building and market linkage project to a "top-down" initiative that worked closely with a lead firm to import and launch a new olive oil product produced collaboratively by two SMEs. The budgets of the two projects were each approximately US$800,000. Project design and implementation details are discussed later in this case.



Olive Oil Market Conditions, Challenges, and Opportunities

State of the Palestinian Olive Oil Industry

World markets for olive oil have grown rapidly, and further growth is expected. During the life of the project, olive oil prices did not change; however, prices reached a seven-year high in 2015, reaching $4,480 per metric ton.[1] The quantity of olive oil imports has grown slowly in comparison to its value. This increase in value suggests a shift in demand toward higher-quality olive oils and a decline in supply due to environmental stressors. The IFC and Palestinian bottlers hoped to seize the opportunity to participate in the market for higher-value olive oil, and a series of quality improvements were necessary in order to meet market expectations.

The vast majority of Palestinian olive oil, approximately 75 percent,[2] is consumed domestically, with per capita domestic consumption averaging around 6.4 liters per year in 2010.[3] Twenty-two percent is exported to neighboring markets. Only 3 percent of Palestinian production is exported to premium markets outside of the Middle East, and only about 5 percent of total exports are bottled in end consumer-sized containers (i.e., 750 milliliters, 1 liter, or 2 liters). Most exported oil is shipped in bulk containers and bottled elsewhere or blended with other oils.[4]

1 Sophie Christie, "The Cost of Olive Oil is Increasing," *Telegraph UK*, January 8, 2015, accessed April 18, 2016, http://www.telegraph.co.uk/finance/personalfinance/money-saving-tips/11360643/The-cost-of-olive-oil-is-increasing-will-stocking-up-now-save-me-money.html

2 Ministry of Agriculture, *National Strategy for Olive and Olive Oil Subsector in Palestine 2014-2019* (2014), 19.

3 Ibid., 21.

4 Ministry of National Economy and International Trade Centre, *The State of Palestine National Export Strategy: Olive Oil Sector Export Strategy 2014-2018*, 14.

Palestinian olive oil incurs substantially more costs in labor, transportation, and fees, and as a result, is approximately 35 to 40 percent more expensive[5] than Turkish olive oil on grocery market shelves. As high production costs restrict the ability of Palestinian olive oil to compete on price, PalTrade, the primary Palestinian export association, and the Palestinian Ministry of National Economy hope to target higher-margin niche markets,[6] including markets for organic and fair trade olive oil.

Value Chain Structure

Crop Production and Processing

Olive cultivation takes place over nearly 950,000 dunums (approximately 900 square kilometers) in the region, largely concentrated in Area C, a section of the West Bank that is heavily regulated by Israeli authorities, which makes the movement of goods and people difficult. Most trees are old and have grown on family-owned plots for generations. According to the Palestinian Ministry of Agriculture's *National Strategy for the Olive and Olive Oil Subsector*, "olive orchards constitute 54 percent of the total arable area in Palestine, and comprise 85 percent of the total fruit trees."[7]

Olive harvesting is conducted manually by family units in accordance with harvest times mandated by the Palestinian Authority. Olives are then immediately sent to one of the 279 olive presses[8,9] in the Palestinian Territories. These presses operate independently of farmers and farmer collectives, and are typically paid in a percentage of the oil rather than a monetary fee. When bottlers do pay cash, the price range is typically determined by the Ministry of Agriculture. The olive oil industry in Palestine is fragmented and disorganized. Bottlers either buy directly from olive presses or farmers and farmer cooperatives who press their own olives, or they employ a middleman to negotiate a price.

5 Ministry of National Economy and International Trade Centre, 9.

6 Ministry of National Economy and International Trade Center, 9.

7 Ministry of Agriculture, 16.

8 Ownership of olive presses in the Palestinian Territories is not regulated by the government. Some presses are owned by individual farmers, and others are owned by farmer cooperatives and microenterprises. Bottling companies might have business agreements with presses, though this is rare.

9 Ministry of Agriculture, 18.

FIGURE 1. AL ARD PROCESSING AND STORAGE FACILITIES

In the local market, olive oil is typically sold in yearly bulk sales from farmers and presses to consumers and local retailers. In urban markets like Ramallah, Bethlehem, Nablus, or Jenin, olive oil is sold in aluminum tins, between 300 and 500 milliliters.[10] Smaller quantities are typically sold in plastic bags and bought directly from the presses or farmer cooperatives.[11] These smaller quantities represent some of the 75 percent of olive oil that is consumed domestically. This overview is based on studies conducted prior to the launch of the IFC's project, but the current environment is unlikely to differ significantly, as the project did not intervene at a large scale.

Of the olive presses distributed throughout the various Palestinian governorates, 246 are fully mechanized presses,[12] 33 are half-mechanized, and there are no uniform standards of quality or sanitation. The most modern equipment was provided through various donor programs.

10 Ibid., 19.
11 Ibid., 20.
12 Ibid., 18.

Bottlers

Approximately 10 olive oil bottlers account for 80 percent of the bottled production in Palestine. Many of the bottlers also participate in other businesses, including olive pickling and soap making, which are complementary to oil production. Only three of these bottlers (al Ard, al Reef, and Canaan Fair Trade) have sufficient technology and business capacity to export. Al Ard and al Reef had relatively new bottling equipment and were already exporting prior to the IFC's entrance to the sector.

There is substantial debate regarding the appropriate role of the Palestinian government in the olive oil industry. The government dictates harvest times, distributes information on olive oil price ranges, and provides agronomists for consulting services. The government's involvement in the olive oil industry has led to some confusion regarding the division of labor and responsibilities between the various Palestinian ministries. The Ministry of Health oversees certification and food safety programs during production, while the Ministry of Economy oversees export, and the Ministry of Agriculture establishes price ranges. The price of olive oil varies depending on quality, taste, and certifications.

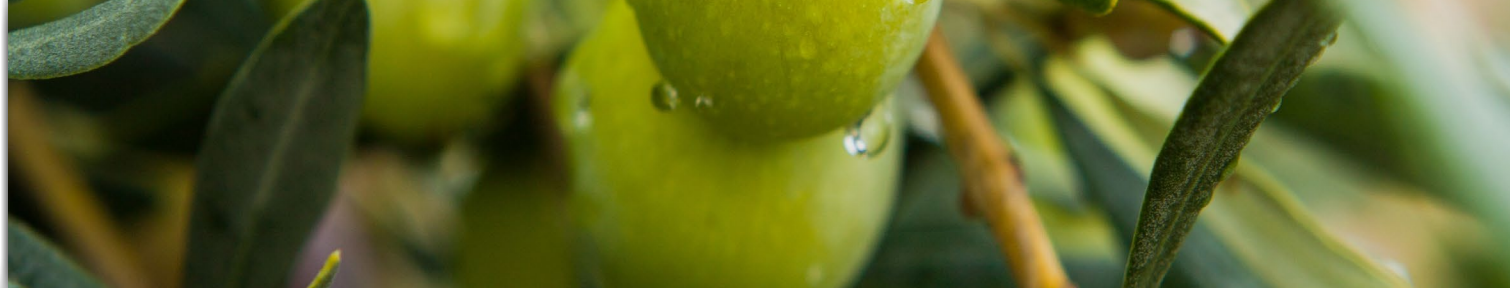


FIGURE 2. VALUE CHAIN DIAGRAM, TAKEN FROM THE STATE OF PALESTINE NATIONAL EXPORT STRATEGY: OLIVE OIL SECTOR EXPORT STRATEGY 2014-2018

Olive Oil Production

Activities:

- Land preparation
- Production of Seedlings
- Cultivation
- Fertilization
- Plowing
- Spraying
- Trimming
- Picking
- Packing

Olive Production

Olive Oil Pressing and Processing

Activities of Pressers:

- Olive collection from farmers
- Washing
- Purification
- Pressing

Activities of Processors/ Bottlers:

- Sourcing
- Mixing
- Bottling
- Storage
- Soap
- Cosmetics
- Medicines

Marketing

Private Use:

- Home
- Gifts

Bottling Companies

- Storage
- Processing
- Packing
  - Small Containers
  - Large Containers (16 kg)

Dealers

- (Small and large containers)

Export

Arab Countries

- Small Containers
- Large Containers

Foreign Markets

- Small Containers

Israel

- Small Containers
- Large Containers

Consumption

- Home
- Restaurants and hotels
- Average consumption percapita: 6.4 liters/year

Competitiveness and Opportunities

The olive oil industry is a highly competitive global industry. In 2014, the International Olive Oil Council noted that production hit a 15-year low, and although the overall production of olive oil has decreased, more extra virgin olive oil is being produced in the Mediterranean, including more bottled and branded extra virgin olive oil.[13]

According to key stakeholders in the Palestinian Territories, Palestinian olive oil is not competitive in mainstream international markets for several reasons:

- EU countries have protectionist laws pertaining to olive oil;
- Palestinian production costs are high relative to Mediterranean competitors; and
- economies of scale are not possible because of the low and fragmented production volumes.

The vast majority of stakeholders agree with the National Export Strategy report stating that Palestinian olive oil should target niche markets. A handful of Palestinian bottlers already sell to niche market segments, including Saudi Arabia, Japan, and the U.S. fair trade market.

High-quality olive oil should have a unique footprint—that is, it should stand out in taste, texture, and density from others. Each olive oil has different attributes, depending on its region of origination, and pairs differently with certain foods. Palestinian olive oil has a unique taste profile and cultural story that make it attractive to high-end importers. Experts from the Rogers Collection and the Palestinian Standards Institution (the only standards and certification granting body in the West Bank) attest that the long-standing and continued practice of family harvest, the 4,000-year history of the oil in this region of the world, and the unique properties of the oil make it worthy of specialty markets.

The Rogers Collection sells artisanal food products that are imported from around the world. Because the Rogers Collection selects products based on unique flavor profiles, a product's consistency is of utmost importance. Given the current status of the Palestinian olive oil industry, however, consistency is one of the hardest characteristics to maintain.

13 Simon Field, "Olive Oil Industry Megatrends," *Olive Oil Times*, June 26, 2013.

Supplier Development Initiatives: Objectives and Implementation

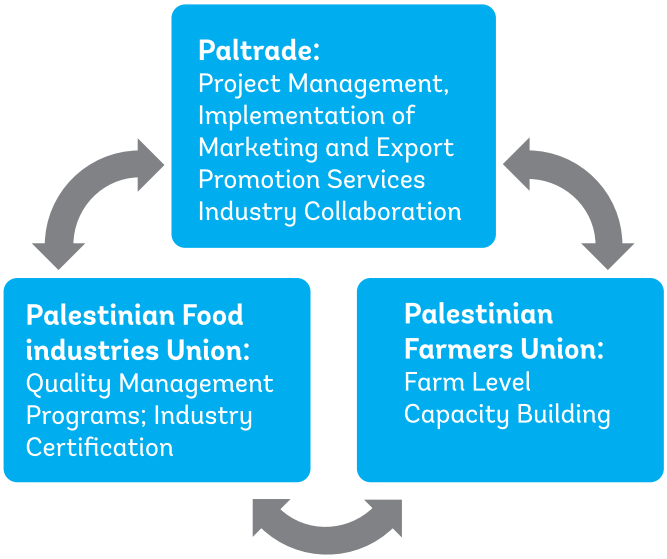
Phase 1 – Linkages via Trade Shows and Quality Improvements

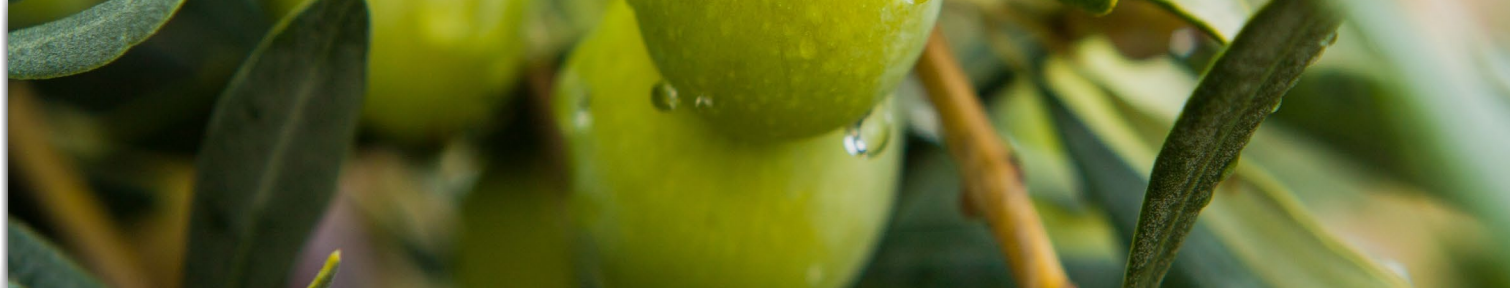
The primary objectives of Phase 1 of the IFC program were to:

1. improve the quality of olive oil produced by bottling companies through strengthened supply chain and management processes,
2. increase exports of olive oil bottling companies by 30 percent, and
3. strengthen the nongovernmental support framework for the olive oil sector.

To better adapt to local circumstances in a high-risk country, the IFC contracted local organizations with the necessary capacity and reputation to coordinate local resources. Accordingly, the implementation of Phase 1 was carried out by the export trade promotion group PalTrade, the Palestinian Food Industries Union (PFIU), and the Palestinian Farmers Union (PFU). The project was implemented over the course of two years between 2006 and 2008.

FIGURE 3. ORGANIZATIONAL STRUCTURE OF CONTRACTORS INVOLVED IN PHASE 1





Bottlers were selected for participation based on their ability to grow and participate in larger markets, as determined by the following criteria: the modernity of equipment and infrastructure in facilities, the financial strength of firms in terms of annual revenue, and the willingness to contribute financially to the costs of the project. Nine SME bottlers were selected, representing 80 percent of total bottlers. Each contributed $8,715 to the project. Ten presses were also selected to participate, but did not contribute financially.

The majority of implementation efforts were spent on training and consulting sessions. The Palestinian Standards Institute provided production quality assessments to eight companies, followed by quality improvement programs, trainings in packaging, quality assurance, pricing negotiations, tasting, and testing of olive oil. PFIU was involved in olive oil quality training programs, business capacity building programs, workforce development programs, "training of trainers" for International Organization for Standardization (ISO) factory certifications, and HACCP[14] training. PFIU's training helped one company achieve HACCP certification and helped five bottlers achieve ISO22000 certification.

BOX 1: OVERALL IMPROVEMENTS TO THE OLIVE OIL SUPPLY CHAIN DURING PHASE 1

- **Average Palestinian olive oil quality improved to 1 percent acidity from 2 percent acidity**
- **One press certified in HACCP**
- **Five bottlers certified in ISO22000**
- **Bottlers signed 13 export contracts for $250,000 increase in exports**

PFU, a subsidiary of PFIU that focuses predominantly on farmers, facilitated farmer trainings in olive cultivation, sharing harvest and post-harvest techniques with more than 500 farmers feeding into the supply chains of the participating bottlers and presses.

14 Hazard Analysis and Critical Control Points (HACCP)

BOX 2: EXPORT MARKETING ACTIVITIES DURING PHASE 1

- **Conducted market research for three new export markets: the United States, United Kingdom, and Saudi Arabia.**
- **Facilitated the participation of seven companies in two international food exhibitions.**
- **Organized two trade missions for six companies to the United Kingdom and Saudi Arabia.**
- **Delivered training on international trading practices, export preparation, and procedures to 23 participants from all participating companies, and organized the following opportunities:**
  - **Four companies participated in a mission to Spain, a leading country in the olive oil industry, to learn about recent developments in the sector.**
  - **Five companies were supported in developing export promotional material.**

Source: IFC Completion Report, 2009

The project strengthened the capacity of the Palestinian Olive Oil Council (POOC), a nongovernmental membership-based organization and business federation that helps organize the Palestinian olive oil industry and facilitate the spread of knowledge and good practice among industry actors, including farmer cooperatives, bottling companies, and presses. Capacity building was provided in the form of training events, agricultural best practices, and pamphlets.

Market linkages were spearheaded by PalTrade and facilitated primarily through the participation of bottlers at European trade fairs, including Anuga Foodtec and SIAL trade fairs. Exports by eight participating companies increased by 35 percent ($938,000), but these export figures were reportedly not maintained and decreased shortly after. This failure was largely because of the high price of Palestinian olive oil compared to European rivals.

The IFC calculated a positive cost-benefit ratio ($1.7 exports/$1 spent) for Phase 1 due to the sales contracts secured at European trade fairs. However, the IFC concluded that Palestinian olive oil was too expensive for the mainstream Egyptian and European markets, and that greater attention to market segmentation was needed in order for bottlers to build successful export linkages. The project was not a success in terms of continued exports due to these constraints, but the industry gained valuable knowledge and became more organized, positioned for future growth. Phase 1 provided a clear foundation for Phase 2: Al Ard and Al Reef, the primary participants in linking to specialty export markets in Phase 2, were both certified ISO22000 and organic during Phase 1.

The IFC also introduced several SME bottlers to Wadi Food Company, an IFC partner and olive oil importer in Egypt. The IFC hoped that the Palestinian narrative would have a marketing advantage in the Egyptian market, similar to the Gulf markets. However, exports to Wadi did not materialize due to the high cost of Palestinian olive oil.

Phase 2 – "Daskara," Developing a Branded Product

The overall objectives of Phase 2 were to:

- increase the export of Palestinian olive oil by helping bottling companies adhere to international food safety requirements,
- enhance bottlers' access to and presence in international markets through a unified brand approach, and
- facilitate access to finance.

The project was implemented from 2010 to 2013. Although two phases of the project had always been planned, the results from Phase 1 directly informed the overall strategy for Phase 2, particularly related to fostering market linkages. In Phase 2, the IFC worked with a U.S.-based importer of specialty food products, the Rogers Collection (the lead firm), as well as two Palestinian bottlers deemed financially and technically sound enough to export to the high-end U.S. market. The two companies were trained in a traceability program and coached to develop a unified product and brand, called Daskara.

Development Alternatives Incorporated (DAI), a U.S.-based international development consulting company, was contracted by the IFC to implement the program. Though the implementation experience with local partners was generally positive during Phase 1, the IFC decided to contract an organization that had international ties to ensure that experts could facilitate access to niche international markets. As the primary implementer, DAI helped to establish the criteria for SME selection, facilitated training sessions, organized a local tasting event, and provided two consultants specialized in the olive oil industry.

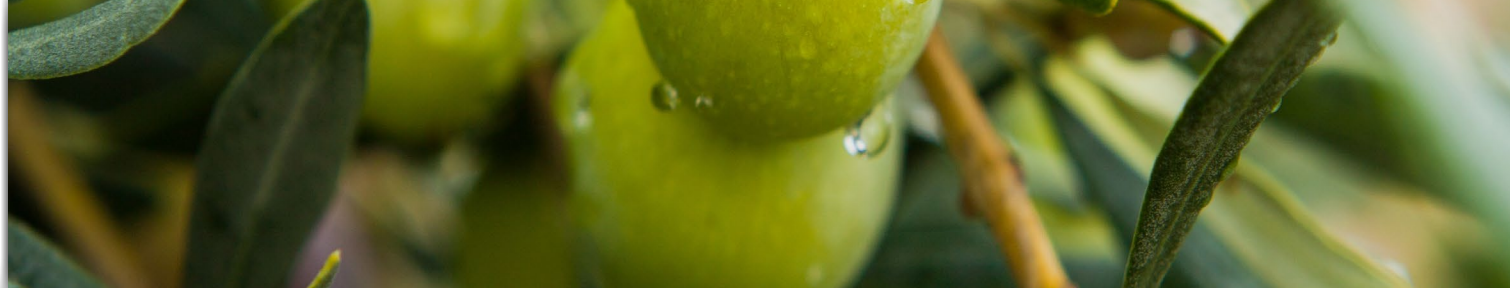
The development approach differed significantly from Phase 1 because it focused on developing market linkages for a small group of participants. Marketing efforts were organized around a unified brand. SME bottlers self-selected to participate based on their interest in growing exports and willingness to share costs; each participating bottler was required to contribute $20,000. Only two bottlers participated in the Daskara consortium: al Ard and al Reef.

AL REEF HOLDING COMPANY:

- **Private Shareholding Company**
- **(owned by PARC, Palestine's largest NGO)**
- **Established in 1993**
- **First company to achieve ISO22000 in Extra Virgin Olive Oil (EVOOO), and Organic Extra Virgin Olive Oil (OEVOO)**
- **Three Filling Stations: Jordan Valley, Gaza, and outside of Ramallah**
- **Member of the World Fair Trade Organization**
- **Selling in more than 14 countries, exporting more than 2000 tons (2008)**
- **Currently exporting with Equal Exchange, 20 pallets per year**

AL ARD PRODUCTS:

- **Spun off of Near East Industry and Trade Company, became independent in 2008**
- **ISO22000 Certified (first Palestinian company ever certified in ISO22000) Organic, ISO22000, Fair Trade certified**
- **Largest storage center in the Middle East**
- **Olive Oil equipment is valued at $450,000**
- **Exporting EVOO to ten countries, and OEVOO to the EU, Canada, and the United States**
- **Market Presence in Washington, DC, North Carolina, New York City, Minneapolis, MN, Houston, Texas, Philadelphia, and San Francisco**



ZAYT BOTTLING AND DISTRIBUTION:

- **No longer functioning; Company went under in 2006 (during Phase 1)**
- **Established in 2004-2005**
- **Had 19-20 shareholders, raised $2 Million in raised capital**
- **Originally exported to Europe and the United States**
- **Worked primarily in packaging; assets valued at $1 Million**
- **Only two people employed: one is a groundskeeper for the factory, the other is a security guard**

Al Ard had been trying to enter the high-end premium market (as opposed to the fair trade or organic market) and viewed the IFC project as aligned with their overall business strategy. Al Reef was also looking for new export opportunities, and wanted to reach more high-end and fair trade markets. Other companies opted not to participate because of the steep cost sharing requirement, the perception of risk, and the potential for proprietary sales and marketing information to be exposed. For example, a third bottling company, Zayt, had expressed interest in joining the consortium, but dropped out of the process because of the cost-share requirement.

Prior to the formation of Daskara Olive Oil, al Ard exported to 10 countries and already instituted market differentiation techniques. It exported extra virgin and fair trade extra virgin olive oil to European, Asian, and North American markets, and only "zayt baladi," its mainstream olive oil, to the Gulf markets. Al Reef exported to more than 14 countries and participated in international food fairs. It has an ongoing export relationship with Equal Exchange.

The IFC consultants concluded that in order for people to be paid according to industry (and Palestinian) standards for their product, a bottle should retail for approximately $20. This became the working price for their market analysis. Market opportunities around the world were considered and narrowed down to the U.S. high-end market, which could sustain this desired price per bottle if the quality were sufficient. Another reason for targeting the high-end market was to avoid direct competition with the plethora of lower-priced, generic Middle Eastern olive oils traded through ethnic distribution channels, such as grocery stores that target the Arab diaspora and Muslim community.

A number of importers were considered. Rather than select a larger importer where Daskara could be lost among a number of products, the IFC team decided to select a smaller importer for which the product would be more important to its portfolio. The Rogers Collection, a specialty products importer based in Portland, Maine, was selected to form a business linkage with Palestinian olive oil bottlers. DAI believed the company's hands-on approach to understanding and marketing the product, as well as their reputation as industry trendsetters, would contribute to the successful launch of Palestine's first high-end olive oil in the U.S. market.

The Rogers Collection specializes in the marketing and distribution of artisanal products, such as ham, cheese, olive oil, and spreads, that are imported from around the world. The company selects products primarily for their taste profile, and then takes steps to ensure the products are the highest possible quality in their tasting categories. Central to the Rogers Collection's business model is their mission to develop relationships with both their product makers and clients. The company prides itself on truly knowing their products, and staff travel worldwide in order to better understand the history and process of the products they import. Rogers appreciated the rich cultural history of Palestinian olive oil, and tastings revealed a high-quality product with a unique flavor profile.

The U.S.-based IFC consultants, with input from the lead firm, selected Daskara as a brand name for the olive oil, despite Palestinian objections that the word had no meaning in Arabic. The name was chosen to reflect the roots linking farmers to the land, an effort to position Daskara as a cultural product rather than a political product. Logo and packaging design followed, with the final design endorsed by the lead firm and subsequently the bottlers.

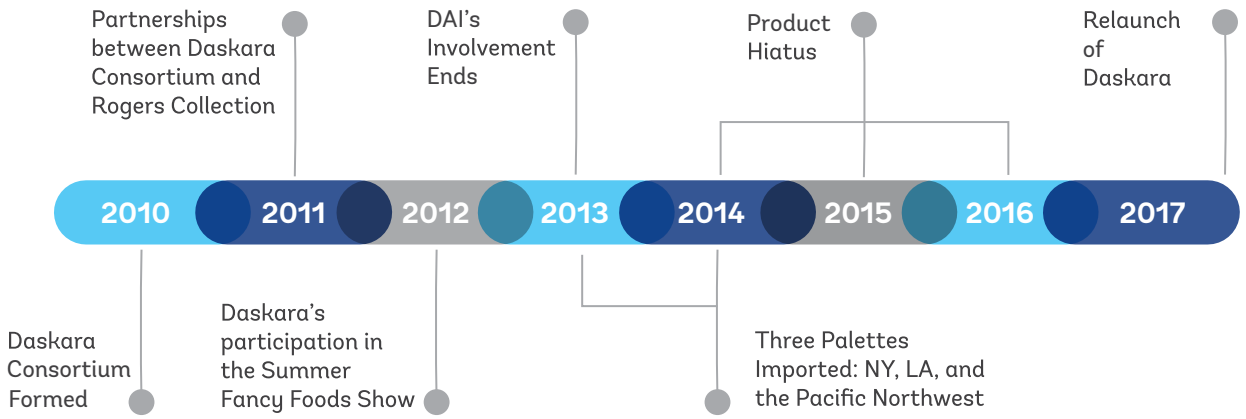
The Daskara consortium was formalized through a contractual agreement between the two parties, al Ard and al Reef. The bottlers were to benefit equally in terms of sales revenues and ownership of the brand name. Theoretically, the consortium was open for other companies to join at a later date. Yet in practice, the relationship between the parties was contentious. The bottlers had different objectives for their participation in the IFC project: Al Ard, a private company, was focused on profit, while al Reef, a private holding company controlled by the nongovernmental organization Palestinian Agriculture Relief Committee, works with farmer cooperatives on social policy and poverty alleviation. As a result, DAI found it necessary to facilitate many of the negotiations and mediation sessions between the two bottlers.

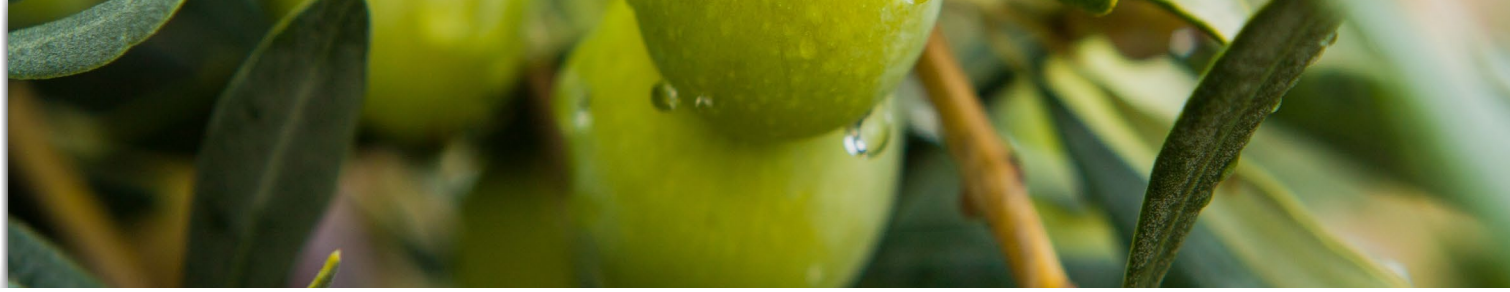
DAI also assisted the Daskara consortium with the process of identifying mills and cooperatives that could provide premium oil. Al Reef had well-established relationships with farmers and farmer cooperatives, and was instrumental in sourcing high-quality product. Al Ard eventually became the point of contact for the Daskara consortium in communications with the Rogers Collection. DAI was instrumental in helping Daskara create a tasting panel to provide third-party quality certifications. The Rogers Collection led U.S. marketing and product distribution efforts, with some financial support from the IFC.

The Daskara marketing efforts encountered an unanticipated challenge during Phase 2. The owner and main point of contact at Rogers Collection, Taylor Griffin, perished in a car crash in October 2011. Rogers' five-person team was down to four. Carrie Davenport, the general manager, was also in the crash, though she did her best to continue work from her hospital bed. The tragedy restricted the company's ability to reach its expected outcomes.

The Rogers Collection and Daskara team (led by al Ard) collaborated on the launch of the olive oil product at the Summer Fancy Food Show in June 2012. They held a splashy and successful launch event at Rif restaurant, resulting in the export of three pallets of Daskara. The Rogers Collection sold these bottles through a distributor in the Pacific Northwest to specialty retail shops in New York and Brooklyn, and to a distributor in Los Angeles. It is important to note that all business-to-business details, such as price negotiations, were handled directly between the Rogers Collection and the Daskara consortium.

FIGURE 4. TIMELINE OF DASKARA PRODUCT





Unfortunately, the limited availability of the Rogers Collection team members hindered follow-up efforts, reducing the impact of the product launch. The IFC's support ended with the Summer Fancy Food Show and no additional sales were made. However, the persistence of al Ard has resulted in the continuation of its relationship with the Rogers Collection, and the partners plan to relaunch Daskara in 2017.

The IFC calculated a negative cost-benefit ratio ($0.32 exports/$1 sold) for Phase 2 of the project due to limited sales of Daskara products relative to the project cost. Although several industry stakeholders were dismissive of the financial benefits of Phase 2 of the project, they were almost unanimous in their belief that the project helped adjust the business practices and mindset within the olive oil industry. According to DAI, both al Ard and al Reef now operate on a more sophisticated level, in terms of export practices and business standards, than they did prior to the IFC project. Although the linkage between the Rogers Collection and Daskara consortium did not lead to new geographic markets for Palestine's higher-end olive oil, the connection has the potential to open doors to new market segments within the United States for increased exports and market share. At the time of this case study's investigation, the main importer is still in touch with the Daskara consortium and is interested in renewing imports.

Looking Forward: Daskara Refresh

The Rogers Collection and al Ard speak positively about the future prospects for their continued relationship. The Daskara relaunch efforts have energized the primary partners. Going forward, al Reef will play a minimal role in the production of Daskara olive oil, limited to interactions with al Reef's farmer cooperatives. According to the renegotiated arrangement, al Ard will now have full responsibility for the production and promotion of Daskara olive oil, and will receive 90 percent of the revenue gained from Daskara. Al Reef will receive the remaining 10 percent of revenue from Daskara, but has essentially handed branding rights to al Ard. These changes provide Daskara the flexibility to respond more quickly and autonomously to the importer's suggestions.

The Rogers Collection and al Ard have drafted an informal document outlining their goals for the partnership and relaunch. The Rogers Collection will assume primary responsibility for marketing and educating consumers about Daskara, including the product's flavor profile, cultural practices, and history, while attempting to steer clear of the political situation. They expect Ziad Anabtawi, Chief Executive Officer of al Ard, to visit the United States to educate clients about the product, country, olive oil profile, and production specifications. The trip will introduce clients to the makers of the Daskara product, contributing to the Rogers Collection's competitive business model. Costs of the refresh effort will be shared by the Rogers Collection and al Ard on a case-by-case basis. The partners also hope to receive some financial assistance from development organizations. Over time, the Rogers Collection believes it could purchase between 10 to 20 pallets per year, but progress is slow. Marketing new products requires a great deal of time and effort, and maintaining a consistent, high-quality product is paramount to achieving this goal.

Project Results

The IFC joined a number of donors in strengthening the Palestinian olive oil value chain at a time when global markets for olive oil demonstrated growth and opportunity for product differentiation. While other donors focused on the production and pressing of olive oil, the IFC focused on strengthening linkages with strategic markets, including the following efforts:

- Increasing the capacity of olive oil bottlers (processor-SMEs) to adopt quality control procedures
- Improving the performance of supply chains through quality controls and implementation of traceability programs
- Strengthening the first industry association, the Palestinian Olive Oil Council
- Increasing access to export markets through training, participation in trade fairs, and the creation of a new, unified brand for niche U.S. markets

Overall, Phase 1 succeeded in raising quality standards across the industry, and Phase 2 succeeded, at least provisionally, in connecting SMEs to new markets. [15] Whether the efforts of Phase 2 will continue to provide long-term, sustainable commercial relationships remains to be seen.

Though the new market linkages and sales to European, Egyptian, and U.S. importers were short-lived or limited, the knowledge acquired through IFC advisory services improved the professionalization of the industry, increased knowledge of export markets, and positioned some bottlers for future growth— particularly al Ard and al Reef, through their linkages to niche markets. For many industry stakeholders, the key takeaway from the IFC project experience was that the future of the Palestinian olive oil industry depends on targeting niche markets.

Though farmers and presses benefited from IFC and other donor training programs in production, harvest, and traceability practices, there is no evidence to suggest that the supply chain of bottlers benefited financially from the market linkages established in Phase 1 or 2 of the program. The additional volume of exports did not significantly change the market for olive oil within Palestine, and it does not appear that a premium price was paid to farmers who demonstrated high-quality oil, especially given the high price floor enforced by the government. There was also no job creation or change in wages.

Going forward, it will be critical for bottlers to develop lasting relationships with farmers and presses to distinguish different olive oil qualities and taste profiles, as companies tailor their products to the preferences of select niche markets. Some exporting bottlers have already established lasting relationships with farmers and farmer cooperatives. When niche markets become more established, the supply chain will enjoy greater benefits.

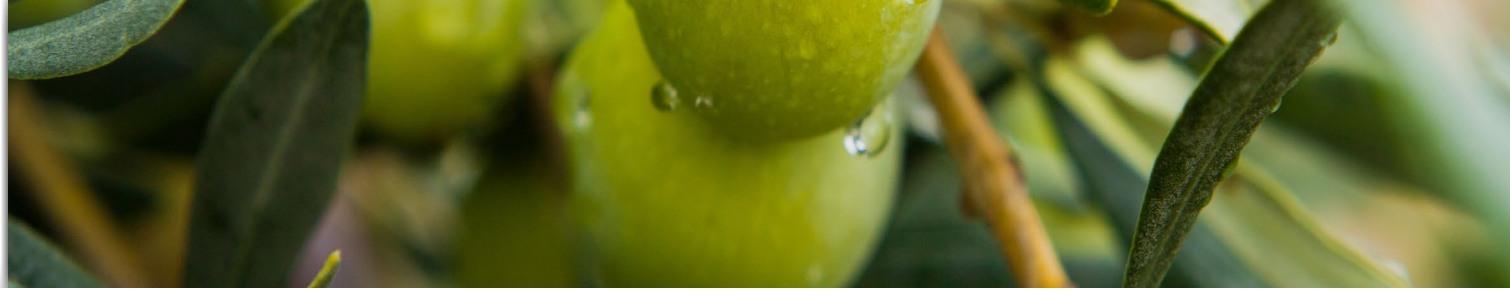
Unfortunately, constraints within the enabling environment will continue to raise the production costs of Palestinian olive oil. These constraints include Israeli restrictions on the movement of goods and people to and from olive production regions (manifested through checkpoints and blocked roads); Israeli taxes on exports; and the heavy involvement and unclear mandate of various government ministries in olive production, harvesting, and pricing. Capacity constraints have significantly improved product quality over the course of several years, but trees are still susceptible to Mediterranean fruit fly infestations, which negatively impact quality. Furthermore, the wide range of certification and quality standards demanded by international markets raises the cost of market entry for Palestinian SMEs, particularly when profit margins are squeezed by high production costs.

15 The IFC Results Framework for Phase 1 and Phase 2 is included in Annex 1.

Business Linkages Lessons Learned

Lesson 1: Harness business motivations to foster sustainable linkages

The endurance of the lead firm-SME relationship between the Rogers Collection and the Daskara consortium attests to the underlying desire of the partners for their collaboration to result in real benefits to their respective businesses. For the Rogers Collection, the primary goal is to improve their competitive edge through product differentiation. Daskara is a high-quality and novel product to add to their collection. Rogers is committed to undertaking the laborious task of educating clients and planning marketing events for the launch (and sales) of the Daskara product in exchange for what they hope will be a profitable relationship. For al Ard (the primary partner of the Daskara consortium), the primary goal is to access higher-margin export markets. Al Ard is therefore committed to consistently producing a high-quality product and joining Rogers in marketing efforts central to its competitive business model. The potential impact of this linkage has not yet been realized due to unforeseen circumstances during the initial launch period. However, the enthusiasm expressed by both parties reflects a commitment to forging ahead in pursuit of a mutually beneficial relationship.



Lesson 2: Market analysis and segmentation are critical elements of linkage facilitation

The difference in linkage outcomes between Phase 1 and Phase 2 of the IFC project speaks to the attention paid by the IFC to market segmentation, and the need to fit the product within the segment's cost and pricing structure. Little market analysis or strategy was conducted during Phase 1, which resulted in unsustainable linkages to European and Egyptian importers largely attributable to the uncompetitive price of Palestinian olive oil. Applying lessons from Phase 1, Phase 2 began with a study to identify markets that were compatible with Palestinian competitive factors. A full competitiveness assessment is essential in order to determine whether or not the supply conditions are ready to meet the demands of a high-end export market. Whether or not the program will ultimately result in long-term commercial success is a matter still to be determined.

Lesson 3: Fostering linkages is more successful when lead firms are involved

It appears that linkages between agro-processing SMEs and lead firms are more sustainable when lead firms are engaged early in the linkage facilitation process. In the case of creating the Daskara consortium during Phase 2, the IFC team worked closely with the lead firm importer to tailor developmental assistance to SME bottlers that met specific market requirements. This customized approach to facilitating linkages ultimately resulted in a more sustainable relationship, where the SME bottlers better understood the long-term investment required in market promotion and quality maintenance. While a long-term commercial relationship is not yet established, the fact that the importer remains engaged and has a desire to continue involvement is likely due to the lead firm's heavy involvement from the beginning.

Lesson 4: Development programs face project design trade-offs between sustainability and scale

The evolution of the project's objectives from Phase 1 to Phase 2 reflects trade-offs between sustainability and scale. Phase 1 emphasized scale in terms of the number of beneficiaries, and the number of processing SMEs (bottlers) that received training and participated in European trade fairs. The IFC cost-share requirement for participation in the project was kept low (around $8,000 per business), which enabled 80 percent of the country's bottlers to benefit. Support to the POOC also created a forum for longer-term collaboration among industry stakeholders, which promoted both the scale of the program and the sustainability of industry knowledge imparted by the project. Moving into Phase 2, the relatively high IFC cost-share requirement (around $20,000 per business) reduced the number of participants, and therefore the scale of the program, but ensured that participants were highly invested in the project's outcomes. Learning from the discontinued business linkages with importers in Phase 1, Phase 2 emphasized the sustainability of market linkages through targeted facilitation between *qualified* Palestinian bottlers and specialty product importers.

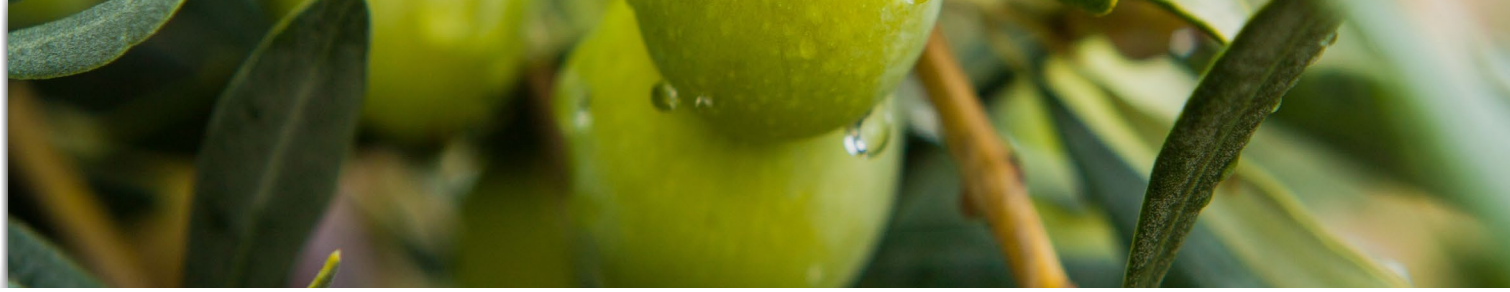
Another element that impacted scale in Phase 2 was the approach of creating a unified brand. In retrospect, the unified branding of Daskara through a "forced" consortium of disparate organizations may not have been the best approach to introduce a commercial product into a competitive market. The relationship required considerable attention from project implementers and was ultimately not sustainable. Alternative approaches might have been more inclusive, such as a Palestinian "seal" that certifies quality, administered by a third party or associated with the tasting panel. Such an approach would allow companies to retain their unique brands and guard proprietary information more closely.

Lesson 5: Selection criteria helps identify industry champions

The IFC's selection criteria in both phases reflected minimum standards that companies must demonstrate in order to participate in the linkage initiative. In Phase 1, these criteria included modern equipment and infrastructure in bottlers' facilities, financial strength in terms of annual revenue, and a willingness to contribute financially to the costs of the project. For Phase 2, bottlers self-selected to participate based on their interest in growing their exports and their ability to contribute a significant cost-share contribution of $20,000. The demonstrated capability of bottlers to grow and participate in larger markets was a useful indicator for identifying industry champions.

West Bank/Gaza Olive Oil M&E Framework[16]		
Output	**Outcome**	**Impact**
Phase 1		
Number of suppliers (farmers or pressing mills) indicating improved work processes with companies	Increase in percentage of exports vs. domestic sales	Employees of bottling firms, farmers, and presses; households (this indicator is not yet finalized)
Number of SME contracts signed	Increase in annual exports by bottle vs. bulk exports	Number of farmers indicating increases in revenue
Number of companies that have practically started to implement their export market strategies (e.g., contacting clients in target markets)	Number of companies indicating improved supplies of product after farmers received training	Total incremental sales revenues
Number of staff indicating improved skills	Number of companies meeting minimum requirements for quality certification	Number of jobs supported
Number of stakeholders (constituency) members indicating knowledge of POOC role and process	Percentage cost recovery of training and one-on-one consulting	Number of entities reporting improved performance (productivity, accountability, operations, loan terms, valuations)
Number of training workshops provided by PFU (per quarter)	Percentage cost recovery of training and one-on-one consulting	Sales revenue (US$)
Number of companies receiving quality assessments	Number of entities that implemented recommended changes	
Marketing and promotional tools developed for micro, small, and medium enterprise (MSMEs)	Number of companies identifying at least 3-4 potential markets based on market research	
Number of bottling MSMEs participating in trade missions and exhibitions	Number of companies indicating increased interaction with POOC, PFIA, PFU, or PalTrade	
Number of entities receiving advisory services	Improved levels of acidity and peroxide in produced olive oil	
Number of participants in workshops, training events, seminars, or conferences	Number of companies indicating an increase in the number of potential buyers contacted	
Phase 2		
Number of entities receiving advisory services	Number of SME contracts signed	Value of financing facilitated (US$)
Number of entities receiving in-depth advisory services	Number of entities that implemented recommended changes	Number of entities accessing investment or financing
Number of participants in workshops, training events, seminars, or conferences	Number of MSMEs receiving capacity building support	Sales revenue (US$)

16 Indicators that aren't directly related to the case have been removed.



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Interview List

Organization	Interviewee Name(s)	Date of Interview
Al Ard	Ziad Anabtawi	April 6, 2016
Al Reef	Saleem Abu Ghazaleh Zidane Abu Hassan Ashraf Taha	April 5, 2016
DAI-Palestine	Said abu Hijleh	April 4, 2016
International Finance Corporation	Hazem Hanbal	March 28, 2016
International Finance Corporation	Selcuk Tanatar	March 28, 2016
PalTrade	Osama Abu Ali	April 14, 2016
Palestinian Food Industries Union (PFIU)	Naser Atyani	April 10, 2016
Rogers Collection	Carrie Davenport	April 11, 2016
Strictly Olive Oil Company	Nancy Ash (and Jeffers Richardson)	March 23, 2016
Zayt	Samir Hulileh	April 10, 2016

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