Testimony of Kimberly Houlding
President and CEO of the American Olive Oil Producers Association
Before the U.S. International Trade Commission

Inv. No. TPA-105-001

Trans-Pacific Partnership Agreement:
Likely Impact on the U.S. Economy and on Specific Industry Sectors

Good morning, Chairperson Broadbent and members of the Commission. My name is Kimberly Houlding, and I am President and CEO of the American Olive Oil Producers Association (AOOPA).

AOOPA is an organization comprised of growers, processors, industry supporters, and state olive oil associations. Our purpose is to develop sound governmental policies to promote a fair and honest market, protect U.S. olive oil consumers from fraudulent olive oil, and work toward the expansion of domestic production and market share. AOOPA membership represents more than 80 percent of all U.S. olive oil production.

On behalf of the association, I appreciate the opportunity to appear before the U.S. International Trade Commission to testify regarding the likely impacts of the Trans-Pacific Partnership on the U.S. olive oil industry.

AOOPA commends U.S. negotiators and their colleagues for delivering the most comprehensive regional free trade agreement since NAFTA. The industry believes accomplishments within this agreement will help enhance growth within the industry, promote cooperation among TPP member-nations, and increase trade amongst our countries.

But, despite these great accomplishments, we are concerned and disappointed that this agreement may be missing a major opportunity to promote transparency and effective quality standards within the TPP countries. Problems with fraud, tainted and mislabeled oils, and other deceptive behaviors are not new, and they have been clearly documented in recent media reports, including 60 Minutes. I would like to focus on them for just a moment.

Lax standards allow unscrupulous businesses in the global olive oil trade to surreptitiously blend small quantities of extra virgin olive oil with large quantities of either old, low quality oil, or other types of edible oils, such as sunflower oil. They then fraudulently label it all as "Extra Virgin" to inflate their profits. These practices were highlighted in the CBS News *60 Minutes* report entitled "Agromafia," which aired January 3rd.

The inspiration for the story was the discovery by Italian police of 7,000 tons of fraudulent olive oil in December. Much of it was bound for the U.S. market and consumers.

According to the segment, -- quote -- "The best (extra virgin olive oil) can sell for $50-a-gallon ...but a fake costs just seven dollars to make. The profit margin can be three times better than cocaine." -- end quote --

An Italian police officer stated -- quote -- "It is a serious problem because it's not only a commercial fraud ... if you adulterate an extra virgin olive oil with seed oil and those bottles reach consumers who are allergic to seed oil, you are sending them a bomb" -- end quote.

That is a frightening thought given one expert in this story who estimated that 75 to 80 percent of the extra virgin olive oil exported from Italy to U.S. supermarket shelves is fraudulent. This same expert from the 60 Minutes segment testified in December of 2012 at the USITC hearing that resulted in the report on conditions in the olive oil market. I should add that the report has been an invaluable resource as we work to address the challenges it outlined. We would again like to commend and thank the Commission for its thorough, thoughtful review of these important issues.

Early 2013, shortly after TPP trade negotiators announced the scope of the TPP agreement and described the manner in which technical barriers to trade (TBT) would be addressed, AOOPA requested negotiators establish a New World Olive Oil Forum within TPP. This forum would work to resolve the largest trade impediment in the olive oil sector among TPP member-nations: fraud. It could be accomplished through the establishment of minimum grade standards and the harmonization of olive oil grade standards, labeling and packaging requirements among the TPP members.

Given the USITC report I mentioned a moment ago and our earlier requests, both AOOPA and our olive oil producing friends in TPP member-nations were encouraged by the possibilities that TPP promised. Further encouragement was provided by Congress's statement in the 2013-2014 Farm Bill. Congress directed USTR, USDA and other agencies as a part of the Farm Bill

Managers' Statements to assist the U.S. olive oil industry because of the significant barriers to trade in global markets.

However, with the release of the text of the TPP agreement, we now know that olive oil was, regrettably, not specifically included in Chapter 8 "Technical Barriers to Trade" (TBT). This chapter contains objectives for selected industries of TPP countries. Despite all of our efforts, olive oil was not included.

TPP not only could provide an avenue to address standards issues amongst member countries, it should have been the beginning of a forum in which the new world olive oil producing countries could come together on olive oil trade matters impacting all of us. TPP member-nations would be better positioned to coordinate and establish policies to balance European influence if a TBT olive oil group was established.

You may ask, "what is the European influence?" The influence is grade standards that do not represent the New World standards, $3 billion per year in support payments, and massive fraud. A New World group would have provided a second transnational organization that would expand as new members joined the TPP agreement. I understand that today's hearing is specifically about TPP. But, it is the influence of these EU and – by extension – the EU controlled International Olive Council standards and policies, which do not allow TPP member-nations to compete fairly in the global trading system.

AOOPA feels strongly that TPP could have been -- and still potentially can be -- the vehicle to address these common concerns for producers in Australia, Chile, Mexico, New Zealand and the United States.

Ideally, the harmonization or equivalency of grade standards, labeling and packaging requirements amongst TPP member-nations would create a unique trade zone in which fresh, high quality extra virgin olive oil is available year round for our consumers from trusted northern and southern hemisphere TPP member-nations.

At the end of the day, this is truly about the integrity of the olive oil industry and the consumers it serves. Consumers deserve healthy, fresh, high quality olive oil and they should be able to trust that their olive oil is honestly labeled. If consumers are not confident in the olive oil they buy, the entire olive oil industry is compromised.

Our trade negotiators have repeatedly stated that the goal of many bilateral and regional agreements is to position the United States as a policy setter for global trade, not a policy taker. This was reiterated in the President's State of the Union address this past Tuesday. Unfortunately, the olive oil sector, which represents more than $5.5 billion in global trade annually, has, so far, been left behind in this endeavor. Member-nations of the TPP represent a significant share of the world's consumer market and have strong growth potential as olive oil producers outside of the European Union. Provisions in the current TPP text provide for TPP member-nations to establish working groups under the TBT chapter. We encourage the establishment of an olive oil working group, once the agreement becomes law. It will create an important forum for our countries to work together to create a global olive oil market where all producers have fair access and consumers can trust the olive oil they buy.

Thank you and I'm happy to answer any questions.