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The case of Hojiblanca

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Abstract. The Group Hojiblanca is a group of Spanish agricultural cooperatives, mainly involved in olive oil production. It is currently the largest producer in the world, with an average production of 200,000 t of virgin olive oil and 67,000 t of table olives. It brings together the efforts of more than 50,000 families of olive producers through 96 oil mills and 22 olive processing plants. This paper aims at presenting the Group's history and future projects, that involve strengthening its role as reference olive oil operator in as many links as possible so that member farmers can increase profitability.

Keywords. Market share – Marketing – Production costs – Second-tier cooperative – Table olives – Virgin olive oil.

Le cas de "Hojiblanca"

Résumé. Hojiblanca est un groupe de coopératives agricoles espagnoles, principalement engagées dans la production d'huile d'olive. Actuellement il s'agit du plus grand producteur mondial, avec une production moyenne de 200 000 t d'huile d'olive vierge et 67 000 t d'olives de table. Il rassemble les efforts de plus de 50 000 familles d'oléiculteurs à travers 96 huileries et 22 unités de transformation d'olives. Le propos de cet article est de présenter l'histoire du groupe et ses projets futurs, pour lesquels il lui faudra renforcer son rôle comme opérateur de référence pour l'huile d'olive pour autant d'aspects que possible afin d'augmenter ainsi la rentabilité pour ses agriculteurs adhérents.

Mots-clés. Part de marché – Commercialisation – Coûts de production – Coopérative de second degré – Olives de table – Huile d'olive vierge.

I – Introduction

Before discussing the case of Hojiblanca, we should like to make some comments on the current situation of the olive sector. The agricultural sector is experiencing financial and price crises; there is uncertainty regarding the EU subsidies; there is greater liberalization, and the most recent evidence is the entry into force of the agreement between the EU and Morocco that affects oil; new plantations are being implemented ... To this we have to add the specific context which has led the olive sector into a price situation which makes many olive farms unviable, the main problem being the lack of organization of the production sector. The poorly organized production sector is highly atomized and has to face the great concentration of demand, by means of an oligopoly of operators resulting from the concentration of distribution. The food crises and the devaluation of our produce, worsened by the economic situation, complement this situation in a changing environment where the olive sector structure is also changing.

Against this background, olive producers, cooperatives, have to respond by adapting to the new times. From the very beginning, the Hojiblanca Group has believed in bringing together supply so that production could be better protected, something we think is essential in the current context.

There are five big olive operators who can buy half of the olive oil sold in the world (Deoleo with 300,000 tons; Sovena with 160,000 tons; Migasa and Salov with 150,000 tons; and Acesur with 70,000 tons), and only a small number of groups of producers, led by Hojiblanca with a

production of 247,000 tons this year¹.

It is true that these big operators have emerged as a response to the world's large groups of distributors who have a huge market share. The gross value of the Spanish olive oil may be around 3000 million euro, and the world's ten leading retail companies have a turnover of more than 50,000 million².

The truth is that the Spanish producers grouped in cooperatives have a weight on the market they are unaware of. According to average production data from the International Olive Council (IOC) of the past five years, production of Spain's cooperatives amounts to 1,331,000 tons on average, which represents 31.6% of the world total; that is, if all Spanish cooperatives marketed jointly all their production they would sell one of every three kilograms of oil.

It is true that we still have a long way to go, if we take into account that the agro-food cooperative movement in Spain still has much to do if compared with other European countries (Table 1). In fact, the first Spanish cooperative (the livestock coop "Coren" from Galicia) is number 54 in the best ranking 100. It is also true that within the agro-food sector, Spain's olive sector and related cooperatives are world leaders. Therefore, we are working on this line of activity, because Hojiblanca S.Coop.And. is open to incorporating more oil mills or oil marketing groups.

Table 1. Ranking of agro-food cooperatives in Europe according to turnover (2010-2011)

Cooperative	Country	Sector	Turnover (million euro)
1. FrieslandCampina	The Netherlands	Dairy	9,626
2. Vion Food	The Netherlands	Meat	8,870
3. BayWa	Germany	Supplies/Commercial	7,903
4. Arla Foods	Denmark	Dairy	7,384
5. Danish Crown	Denmark	Meat	6,954
6. Agravis	Germany	Supplies/Commercial	6,468
7. Südzucker	Germany	Agriculture	6,161
8. In Vivo	France	Supplies/Commercial	6,083
9. DLG	Denmark	Supplies/Commercial	5,494
10. Metsäliitto	Finland	Forestry	5,346
54. Coren	Spain	Meat	1,005
62. Capsa	Spain	Dairy	738
84 Grupo AN	Spain	Multiple sectors	528
87. Anecoop	Spain	Fruits and vegetables	506
95. Hojiblanca	Spain	Olive oil	453

Source: CO-OP Champions.

In fact, during the 2011/12 season, 24.02% of the oil from Andalusian cooperatives and 21.81% of the Spanish cooperatives oil were marketed by the Hojiblanca Group; in total terms, 17.31% and 15.32%. The degree of concentration by province exceeds 88% in the province of Malaga, exceeds 10% in Cadiz (48.61%), Jaén (13.51%), Cordoba (35.34%), Castilla-La Mancha

¹ Data from web pages and press reports.

² Means calculated from reports by the Administration (Junta de Andalucía and Ministerio de Agricultura) and from the yearly report on distribution by the consultancy group Deloitte.

(14.86%) and Seville (15.84%)³.

Hojiblanca, as an instrument for farmers, does not focus only on olive oil, but –upon the request of its farmers– it embraces other sectors such as the table olive, inputs and livestock. In the future there may be more sections.

As will be seen further on, Hojiblanca has lead the process of integration and organization of the olive production sector, drawing cooperatives to come together and better defend their members by means of an unstoppable process driven by the need and undoubtedly improving all members' profitability.

II – The case of Hojiblanca

The Group Hojiblanca is a second-tier cooperative, that is, a union of cooperatives grouping more than 55,000 families of farmers and breeders from Andalucía, Castilla-La Mancha and Extremadura.

At present, it is the world's largest producer of virgin olive oil (7.8% in the 2011/13 season) and table olives (2.6% in the same season), and Hojiblanca is a national leading brand regarding the sales of extra virgin olive oil⁴. It packs some 35,000,000 litres and exports to more than 100 countries, in many of which it is leader: China, United States, Italy, Mexico, Brasil, etc.

The annual turnover is more than 400 million euro, making it the largest agro-food cooperative in Andalusia. In 2010, 451 million; in 2011, 389; the forecast for 2012 being 500 million: fluctuations are related to harvest volume and product value.

1. History

The current "Hojiblanca S.Coop. And." is the result of the combination and merger of several cooperatives that wanted to grow and believed that they could achieve more things if they worked together. Here are the most important milestones:

(i) 21 February 1979. "Aceitunas de Mesa de Córdoba SA" was established, and was the origin of the future cooperative "Acorsa".

(ii) 28 March 1980. "Cordoliva" was established, a cooperative grouping some twenty oil mills from Córdoba, and core of one of the two founding firms of "Hojiblanca S.Coop.And".

(iii) 24 November 1987. Articles of association of "S.Coop.And. Oleícola Hojiblanca de Málaga", a second-tier firm initially made up of 13 cooperative oil mills from the north of the province; among them "SCA Olivarrera Nuestra Señora de los Dolores de Villanueva del Trabuco", and years later "SCA Olivarrera del Guadalhorce", both merged into "SCA Olivarrera del Trabuco".

(iv) 3 April 1997. Public presentation in Malaga of the Hojiblanca extra virgin olive oil brand, which is currently the sales leader for this sector in Spain.

(v) 22 June 1998. The King and Queen of Spain visit the new packing plant "Reina Sofía" in Antequera.

(vi) 1st November 2003. Effective merger between "SCA Oleícola Hojiblanca de Málaga" and "Cordoliva SCA" giving birth to "Hojiblanca S.Coop.And". with 42 oil cooperatives in Córdoba and Malaga, becoming the world's biggest producer of virgin olive oil.

³ Comparison between production data from Hojiblanca S.Coop.And. and the Agencia para el Aceite de Oliva.

⁴ Regarding data from the International Olive Council.

(vii) 1st October 2005. Merger between "Hojiblanca S.Coop.And." and "Aceitunas de Mesa de Córdoba S.Coop.And. (Acorsa)" resulting in a new table olive section with 6 associated cooperatives from "Acorsa". "Hojiblanca" diversifies and the same structure will market the farmers' olive products.

(viii) 1st January 2006. Effective merger with the second-tier cooperative "Suministros Agromálaga S.Coop.And." (founded on 11 August 1982 as "Agrupación Malagueña de Cooperativas del Campo SCL"), which counted on a number of olive cooperatives from the province of Malaga, joined by others from other sectors and provinces, such as Cadiz and Cordoba.

(ix) 1st January 2007. Merger with the second-tier cooperative "Suministros Agrocórdoba S.Coop.And" (established on 21 September 2000) which was mainly made up of cooperatives from "Hojiblanca" oil and olive sections.

(x) 16 October 2007. Signing of a 50% joint-venture between the USA multinational "Cargill" and "Hojiblanca"

(xi) 1st April 2008. Merger with second-tier cooperative "Suministros Cooperativos del Sur S.Coop.And. (Sumicoop)" established on 28 December 1993, and based in El Saucejo, grouping cooperatives from Seville, Cadiz and Malaga.

(xii) 30 September 2009. Opening of the new packing plant of "Mercaóleo SL" for retail olive oils.

(xiii) 1st November 2010. Merger with "SCA Sierra Norte" second-tier cooperative from Seville (set up on 2 July 1973), resulting in 7 cooperatives from Seville and Badajoz joining the Group.

(xiv) 1st October 2011. the merger with "SCA Agropecuaria del Sur" (second-tier cooperative) became effective and as a result the livestock farming section was set up, comprising 3 cooperatives (Olvera, Teba-NS Cabeza and Almargen)

(xv) March 2012: trade agreement with Moreno SA for setting up "Agroalimentaria Musa SL", extending the commercial portfolio of sauces and wines and promoting that of oils from the Cordovan firm.

(xvi) October 2012: agreement with "Deoleo", pending ratification by the assembly.

2. Activities

At present the Hojiblanca Group has four independent sections:

A. Oil

It is the most important section volume-wise. This year production has amounted to 246,000 tons. It has three industrial centres: Antequera (2 packing plants: Reina Sofía and Mercaóleo, the latter shared with Cargill at 50%), Guarromán (Jaen) and Villarrubia-Córdoba.

There are 96 oil companies currently operating in this section: 21 in Jaen, 27 in Cordoba, 25 in Malaga, 2 in Cadiz, 4 in Ciudad Real, 1 in Badajoz, 12 in Seville and 4 in Granada.

It has the following extra virgin olive oil brands: Hojiblanca, Cordoliva, Acorsa, Torcaoliva, Olivabella, Dcoop and others for the domestic and international markets.

In October 2012 an agreement was reached with the world's most important olive oil operator, Deoleo (it has 20% of the world's packing market with brands such as Carbonell, Bertolli and Carapelli) by which Hojiblanca becomes shareholder with 10% of the capital in return for the Hojiblanca brand and the packing plant in Antequera; this agreement has to be ratified by the shareholders' meetings. Hojiblanca S.Coop.And. will develop through Deoleo (300,000 tons of

packing capacity) its branding project; to this Mercaoleo is added (50% shared with the USA multinational Cargill) with 25,000 tons of packing capacity for retailer brands; as well as brands for its own cooperatives, national and export markets with the brands Dcoop, Cordoliva, Torcaoliva, Acorsa...

B. Olive

It has a production quota of 67,000 tons and 22 associate cooperatives from Cordoba (9), Malaga (9) and Seville (4). It has two industrial plants: Monturque (Cordoba) and Dos Hermanas (company Acyco). It packs and exports most of its production. It operates mainly with the brands Acorsa and Hojiblanca. It is leader in exports to the European Union and reference operator in United States, Arab countries and former soviet republics.

C. Inputs and services

It operates with more than 120 cooperatives and its goal is to lower farmers' and breeders' costs with activities such as: joint purchase and sale of fertilizers and plant health products; Agricultural Technical Department that provides free information and advice to members; mobile telephone service, insurance; shops at the cooperatives; oil making machinery repair service, and other services.

D. Livestock farming

It is made up of 3 livestock cooperatives (1 in Cadiz and 2 in Malaga), involved in jointly buying raw materials for feedstuff, buying and selling animal health products and marketing white pork, although activities will be extended in order to move forward in the value chain.

3. Performance

Hojiblanca sells all members' products, that is, everybody's oil belongs to everybody and has to be marketed through the group, hence its strong position on the market making it a reference operator.

For that the participation of all cooperatives is essential. They are represented by appointees and up to 100 people can attend the meetings.

Hojiblanca pays its members depending on the average market value throughout the year of their oil type and quality.

The role of Hojiblanca has been successful in the sector precisely because of the implementation of clear, agreed, common and applied rules; the involvement of everyone; the realization of decent results; the consolidation of the cooperative as a sound and viable business; as well as the search for horizontal and vertical synergies.

The current Hojiblanca S.Coop.And. is the result of the merger of eight second-tier cooperatives since 2003: the oil coops Cordoliva, Oleícola Hojiblanca de Málaga and Sierra Norte de Sevilla; the input coops Agromálaga, Agrocórdoba and Sumicoop; the livestock coop Agropecuaria del Sur; and the olive coop Acorsa.

The original Oleícola Hojiblanca de Málaga was founded in November 1987 with 13 oil mills associate cooperatives. Today, there are 96 members, highlighting the success in marketing oils. If in 2002, the average oil production was around 35,000 tons, today it has increased six-fold; in the case of olives we have gone from 6 cooperatives with 20,000 tons to 22 cooperatives with 67,000 tons of olive treatment capacity.

4. Future

The objective of Hojiblanca is to ensure maximum profitability for its members by the best possible marketing of its products and reducing costs. To that end it is necessary to have a solid, viable, participatory, plural and transparent company, with clear ideas. We understand that the future work will involve:

- (i) consolidating a large agro-food cooperative which is able to better defend its members in a globalized world.
- (ii) adding more cooperatives to ensure better opportunities on the market.
- (iii) work towards reducing farmers' costs.
- (iv) fighting for objectives shared by the sector: product promotion, market management systems, fraud control, etc.

Conclusions

Since it was founded, Hojiblanca Group members are clear as to how to proceed to achieve the highest profitability, which involves reducing costs and improving the marketing of their products. In this sense, it is essential to structure the sector around the weakest link by concentrating supply. Hojiblanca S.Coop.And. has taken important steps in this direction to become production leaders, but further progress is needed as well as participation in the value chain, and therefore is planning to own Deoleo. Because of its size and volume, the Group can cover other activities and have better opportunities on the market. The idea is to become a world reference oil operator, a unifying model in this sector, that can be extrapolated to other agricultural sectors.

In our opinion, the structure of the olive oil sector would be inconceivable today without the influence of Hojiblanca S.Coop.And as the backbone of the production sector and an axis articulating initiatives to support the value chain.