Estimating an Olive Oil Export Function for Tunisia
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Olive Oil is traditionally one of the most important export sectors in Tunisia and represents a strategic product considering its economic, social and ecological advantages. Conscious of this role, Tunisia has been trying to restructure and modernize the sector at both production and trade levels. Several incitements to exporting and prospecting foreign markets have been decided and the monopoly of the National Olive Oil Office has since 1995 yielded the place to a liberalized market with more and more private exporters. These efforts generated an increasing export rate which reached 97% in the period 07-08
But, supply is still marked by large fluctuations and the exports are forced by the production even though a possibility exists to play on the stocks. Tunisian exports performances are notably due to price competitiveness as shown by international exports prices.
Tunisian exports are mainly destined to the European market with which Tunisia had in 2005 a preferential contingent free of customs duties. European imports of olive oil from third countries are governed by a special regime: The Active Perfection Traffic. In this context, the Tunisian exports in olive oil are assured principally in bulk. One can also note sensitive efforts of improvement of the quality. Crude oil is increasingly substituted with extra virgin oil.
However, the dynamics of the olive oil world market is marked by the emergence of new exporters and consumers, the shift of the demand structure in favor of high quality oils and new arrangements concerning the liberalization of markets. Traditional producing and exporting countries like Tunisia have to deal with an increasing uncertainty and a more competitive economic context. Statistics show that Tunisia is progressively losing its world market share.
Thus, we may wonder about the future of this strategic product for Tunisia. In the paper we:
- Specify the variables that influence the Tunisian olive oil export demand from the European countries with reference to Armington (1969).
- Analyze the relation that exists between these variables while estimating a function of export throughout the cointegration approach developed by Johansen (1988) and Johansen-Juselius (1990).
- Do some forecasting for normative purposes.
For the prospect, the model uses quarterly Eurostat data from 1995 to 2008.
Main results suggest following conclusions
- Export demand of Tunisian olive oil depends on the relative prices of Spain, Italy and Greece, the export of Italy out of Europe and the export of Morocco toward Europe.
- Positive but little export elasticity toward partners means that the regime of the Active Perfection Traffic has a neglected effect upon the export potential of Tunisia.
- Negative price elasticity for Spain suggests that it is suitable to reduce production costs and to modernize the olives triturating conditions to promote the exports to Spain.
- Positive export price for Italy and Greece. There, markets share is obtained from off-price competitiveness and is based on the quality of the product.