Palestine Economic Policy Research Institute (MAS)

Toward Enhancing the Competitiveness of the Palestinian Olive Sector

Samir Abdullah
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2016

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This study was funded by The Islamic Development Bank (IDB) – Al-Aqsa Fund

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ISBN 978-9950-374-73-7

Foreword

The importance of the study at hand, which has been prepared in response to a request from the Ministry of Agriculture, stems from the fact that olive and olive oil are strategic agricultural crops and are important components of the Palestinian family's food basket. Furthermore, the olive farming sector is an important source of income for tens of thousands of citizens and their families working in the olive groves whether owned or rented.

The olive sector has many forward and backward linkages, as well an ecological importance since olive trees constitute more than half the horticultural trees in the Occupied Palestinian Territory. In addition it has a political importance because of the role that olive groves play in preserving the identity of the Palestinian land.

This study aims to investigate possible means for increasing the competitiveness of olive products in the local and external markets, and for increasing the sector's attractiveness to private investments and to the workforce. It proposes the necessary requirements for achieving those objectives, outlines the challenges that the process faces, and the means for overcoming them.

It is our hope that the study will be met with interest by all those working in the olive sector as well as other concerned stakeholders who are keen to see this sector realize its potential. On behalf of MAS I wish to thank the research team for their effort, and to cease this opportunity to express our sincere appreciation for the Islamic Development Bank/Al Aqsa Fund, and for the Arab Monetary Fund in particular, for funding this study and for their continuous support of the Institute in its endeavor to contribute to building the Palestinian economy.

Nabeel Kassis, PhD
Director General

ABSTRACT

This study attempts to highlight the challenges facing the olive farming sector, which has been in a state of chronic recession, mainly because of the decline in both its economic viability and products' competitiveness. This is attributed to many factors, amongst which are the fragmentation of agricultural holdings; the high cost of production associated with moving from natural economy (production for consumption) to market economy; the high cost of labour and other production inputs; and the use of the traditional production methods and patterns that still prevail in all stages of the production value chain. Add to all of that, the Israeli occupation’s hostile policies and measures, especially those imposed on accessing water resources, and closing large areas of olive groves and arable lands, not to mention the settlers brutal attacks targeting the olive groves, trees, and farmers.

In spite of this frustrating situation, Palestinian families continued to invest in this sector for economic and non-economic reasons. Foremost among the motives of those resilient families is the protection of the land from Israeli encroachments and fending against criticism from neighbours and the local community as neglecting olive groves is a socially unacceptable behaviour. Economically, those families are motivated by the lack of viable alternative opportunities to exploit olive groves located on rough terrain near the borders, and by the low or zero cost of such work opportunities for adult family members who are unemployed or who are out of the labour force, especially women and youth. Nevertheless, those motives and reasons are fragile and inadequate to sustain the sector. Indeed, the sustainability and the development of the sector depend on making it profitable and attractive to investors, which is, in turn, a necessary condition to stimulate farmers' interest and encourage their adherence to the land.

The study also expounds on a number of successful local and international models, which have overcome the weaknesses and challenges facing the olive sector through the use of intensive farming, the use of modern technologies in all stages of the value chain, and by introducing new production patterns, especially the cooperative production pattern, to benefit from the economies-of-scale aspect. These important developments have led to developing the quality of products, increasing productivity, reducing production costs, stabilizing production levels, and increasing capacity to export products to distributors in international markets at competitive prices.

The study also endeavoured to provide policymakers and stakeholders and all those interested in the Palestinian olive sector with practical and applicable recommendations to halt the deterioration of the sector, turn it into a productive economic sector that contributes to the welfare of the farmers, increase the sector's attractiveness for investment and for the workforce, and achieve a remarkable rise in its contribution to GDP growth and to exports as well.