

Olive oil demand falls in Europe homelands

Homer, the Greek epic poet, called it “liquid gold” and it has been a staple of the Mediterranean diet for centuries.

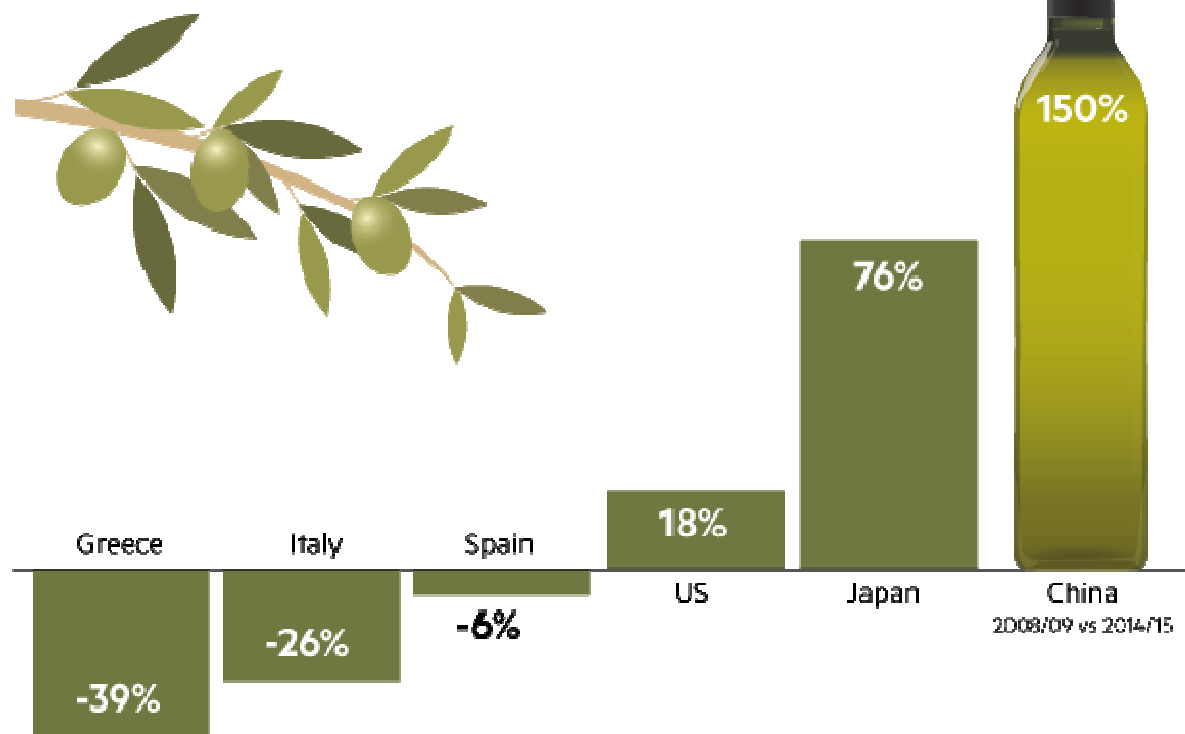
However, years of recession and high unemployment have hit demand for olive oil in Greece, Italy and Spain, a trend that has been exacerbated by [a sharp rise in prices](#).

Greek consumption has fallen 39 per cent from pre-financial crisis levels, and is set to fall again in 2015, as demand from both the food services industry and retail customers has remained weak.

“Olive oil is part of the Greek identity,” says Panayotis Karantonis, director of the Athens-based Greek Association of Olive Oil Processors and Packers. “But it’s the economic crisis [that has hit consumption],” he adds.

Olive oil consumption

% change, 2007/08 versus 2014/15



FT graphic Source: International Olive Council

But not all is doom and gloom for the olive oil industry. Consumption might be weak in Europe’s periphery but the olive trade is expanding, with consumption in the US, Japan and emerging markets growing rapidly.

The health benefits of olive oil are helping to boost demand in countries such as China and Brazil where the vegetable oil has not been traditionally consumed. The growing popularity of Mediterranean cuisine is also leading to rising consumption

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“Historically, olive oil has been a Mediterranean business, both for production and demand,” says Vito Martielli, senior oil seeds analyst at Rabobank International. “What has happened is that it’s becoming more global,” he adds.

Olive oil is one of the main components of the Mediterranean diet, but the fall in spending power [due to the recession](#) and high levels of unemployment have hit demand. A sharp rise in prices due to a bad harvest has also affected consumption in southern European markets.

The Madrid-based International Olive Council is forecasting Greek consumption of 160,000 tonnes in the 2014/15 marketing year, compared with 264,000 tonnes in 2007/08 — a 40 per cent drop. In Italy, the world’s largest user, consumption is also expected to fall again this year, bringing the decline since 2007/08 to 26 per cent, while for Spain the fall over the same period is expected to be 6 per cent.

Demand has also been hit by a sharp rally in prices due to adverse weather in Spain, which accounts for about half the world’s olive oil production. In 2012/13, prices surged after a severe drought devastated the crop.

“Consumption in south Europe took a big hit in 2012 after the price spike,” says Mr Martielli.

Prices have risen further over the past few months, after the Spanish crop was damaged by another dry spell and Italian growers suffered an olive fruit fly infestation. Overall production in the two countries this year is expected to decline by about 27 per cent from 2014.

Olive oil price

\$ per tonne (‘000)



Source: IMF

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The market has also been supported by the civil war in Syria. Although most Syrian output is consumed domestically, the country’s production has been growing steadily over the past few years and the sharp fall in output has provided further psychological support for prices.

Spain and Italy normally account for just under 70 per cent of global output, and premium-quality extra virgin olive oil hit \$4,480 a tonne in December, the highest since 2008, according to the International Monetary Fund.

In spite of the weakness in core consuming countries and the volatility in crops and prices, the olive oil trade is still expanding, say analysts.

The US market started to grow in the early 1990s, followed by Japan in the latter part of that decade. Now consumption in countries such as Brazil, Russia and China is rising sharply.

While the combined consumption for Spain, Greece and Italy has fallen 21 per cent since 2007/08, demand in the US and Japan has risen 24 per cent. In China, usage has jumped 150 per cent since 2008/09, according to IOC data.

On the supply side, growing demand and higher prices is encouraging investment in production in other countries on the Mediterranean, such as Morocco, Tunisia and Turkey.

Total production in Morocco, Tunisia and Turkey has grown by almost a third over the past decade, and world exports of olive oil have risen by a fifth since 2007, according to the US Department of Agriculture.

Back in Greece, although consumption of olive oil per head remains the highest in the world at around 17kg — it is 3kg for Spain, 12kg for Italy and 1kg for the US — levels are expected to fall further.

Mr Karantonis predicts Greek consumption will fall another 12 per cent or so, but adds: “I think 15kg [per person] is the bottom.”

Source: <http://www.ft.com/intl/cms/s/0/bcc71c60-9a51-11e4-9602-00144feabdc0.html#axzz3PXrIG2Dy>/14 janvier 2015