The EC foresees a growth of the production of Olive Oil in the Iberian Peninsula of 1% per year until 2026

The gradual recovery of irrigated land should allow a steady increase in the production of olive oil in the Iberian Peninsula from approximately 1% per year to 2026 (10% in total over the period), according to a report by the European Commission's (EC) Directorate for Agriculture and Rural Development in collaboration with the Joint Research Center (JRC).

The prospects for EU agricultural markets do not cover several specialised sectors that are important for land use, the jobs they create and the value added they generate. In this chapter, we look particularly at three sectors, fruit and vegetables, olives and wine, for which an assessment of the current situation is presented and some preliminary projections are shown. In the absence of a modelling tool covering these products, our projections are based on simple trends applied to area, yield, consumption and trade historical developments in the main Member States at stake. The projections do not take into account developments on the world markets (other than through expert judgement)

and/or price impacts. At this stage, they also do not take into account the segmentation of these markets into sub-products and qualities. For fruit and vegetables in particular, given the diversity of production and supply chains involved in the sector, the exercise was limited to apples and tomatoes.

Other sectors that are important to EU agriculture, such as flowers and ornamental plants, were left out The weight of the three sectors concerned in the EU agriculture is substantial. In 2013, on a reduced area (6% of the UAA), the three sectors: generated a large share of the value of production (20%); employed a large share of the workforce (19% of the total annual working units); and accounted in value for 18% of the total exports outside the EU of the scope of these projections.

Olive oil production in the EU is strongly concentrated in four Member States: Spain, Portugal, Italy and Greece, which represent 99% of EU production (which in turn represents two thirds of the world production). The production dynamic in the producing Member States during the last decade is characterised, beyond a strong volatility caused by climatic conditions (in particular because of dry conditions), by an increasing production trend in Spain and Portugal.

This trend is based both on growing areas and growing yields, with the development of irrigated and intensive olive groves substituting traditional extensive areas (mostly still in production). By contrast, in Italy and Greece, production stagnated over the past decade, with some area decrease in Italy.

The increase in irrigated areas in Spain slowed down during the financial crisis, but now seems to be recovering gradually (although not to the speed reached before the crisis. This should allow for a continuing steady increase in production in the Iberian Peninsula (by about 1% per year until 2026, 10% in total over the period). In Italy and Greece, production is expected to stabilise relatively, slightly decreasing in Italy (-1% over the coming decade) while slightly increasing in Greece (+2%) between 2015/16 and 2025/26. Such evolution might be affected by climate conditions specific to each year, in a general context where water availability and quality is a growing concern.

The evolution of consumption has been characterised by a regular decrease in the three main producing Member States in the last decade, with a steeper decrease during the financial crisis. The outlook is for a certain stabilisation and slower decrease (-6% in total for the consumption over the coming decade).

This decrease in countries with a high per capita consumption (above 10 kg per person in each of them) means that large quantities of olive oil December 2016 longer finding a destination on these markets.

However, it is largely offset by an increased consumption in the rest of the EU, still at a very low level of consumption per capita (around 1 kg per year), and in the rest of the world. While EU imports of olive oil have decreased in recent years, it is expected that this trend will be reversed with the development of investments in modern olive groves in other Mediterranean countries and the possible use of the inward processing custom regime 37. EU exports should, however, largely outpace imports. World demand and the capacity of EU bottlers to use advanced and modern branding strategies (relying both on renown trademarks and several geographical indications) should allow extra -EU exports to continue on a steep increasing trend (+60% over the last 10 years, +45% over the 10 coming years). Such growth in exports will be necessary to ensure a balancing of the EU olive sector.

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