

Olive oil prices in the EU are 30% above the average of the last five years

Olive oil prices are 30% higher than the EU average for the last five years (38% regarding Italy) and are expected to remain that way or even higher due to the lower harvest, to the constant demand and the weakness of the supply in third countries, as well as to the insufficient rain registered so far with regard to the next production cycle in Spain, according to a report by the European Commission (EC).

The Short-term Outlook report includes, for the first time, an analysis of market developments and the short-term outlook for olive oil and apples. Future issues of this report will extend the coverage to other products such as wine, and fruit and vegetables.

The EU production of olive oil, estimated at 1.79 million t in 2016/2017, is likely to be 23% lower than in the previous marketing year (13% below the last five-year average). The decrease is particularly noticeable in Italy and Greece (with a production level 30 to 40% below the last five-year average), while the Spanish and Portuguese harvests could reach the level of the last five-year average level. Unfavourable climatic conditions have impacted production in all main producing areas. Summer humidity favoured the development of the olive fly in Italy, where cold and windy conditions also impacted the fruit setting. The olive fly development also affected flowering in Greece, and strong summer heat waves lowered production in Spain, Portugal and Greece. At the time of finalising this report, the oil production season was not finalised and downward adjustments of the production estimate are still possible. This decrease coincides with lower production levels in several third countries too. Tunisia in particular has been affected by a severe drought. Only Turkey is expected to see its production increasing in 2016/2017.

The decline in 2016/2017 production combined with overall low stocks has supported prices at record high levels since 2005 (EU average 332 EUR/100 kg for virgin olive oil over the first 4 months of 2016/2017). In the first part of 2016/2017 prices are respectively 6% and 22% above last year in Spain and Italy. Prices are around 30% above the last five-year average in the EU

(and 38% above it in the case of Italy). It is expected that prices will stay at these levels or even rise further, in view of the lower harvest, steady demand and the weak supply in third countries, as well as insufficient rain so far for the next production cycle in Spain.

In the first part of the marketing year, intra-EU and extra-EU import demand remained at the level of the last five-year average, although retail prices have followed a similar increasing trend to producer prices over recent years. Retail sales as a proportion of the total consumption of olive oil have kept on increasing -from 49% in 2002-2004 to 61% in 2014-2016.-

Despite lower availability and higher prices, EU exports were 3% above the last five-year average in the last quarter of 2016. Demand from third countries remains high (e.g. from China and Japan). Imports also increased by 22% compared to the last five-year average; the quantities however are modest.

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