

Olive Oil Prices to Surge Due to Drought in Mediterranean Region

Mediterranean countries including Spain, Greece, and Italy have seen a sharp fall in production due to the hot, dry conditions that have prevailed.

Industry experts are warning that consumers will have to fork out more for olive oil, as droughts in the Mediterranean region take their toll on olive oil production. Consumers across Europe have already seen prices rise by an average of 26 percent in the last two years. Spanish consumers have felt the pinch of a massive 36-percent price rise according to research group IRI.

The price of EVOO has already spiked by nearly 25 percent this year resulting in wholesale prices of reaching over \$4,200 per ton. Retail prices have not yet caught up, due to the time lag and supermarkets buying in bulk.

Panayotis Karantonis, director of the Athens-based Greek Association of Olive Oil Processors and Packers told the Financial Times, “Over the coming months the prices in supermarkets in the U.S. and U.K. will be higher than two-to-three months before.”

A predicted drop of 14 percent in world production has been forecast. Mediterranean countries including Spain, Greece, and Italy have seen a sharp fall in production due to the hot, dry conditions that have prevailed.

The International Olive Council (IOC) estimated that Italian output may halve this year to 243,000 tons from last year’s 475,600 tons. Greece could see a 20-percent drop from 320,000 tons to 260,000 tons and Spain’s production is expected to be over six percent down, from 1.402 million tons to 1.311 million tons. Tunisia’s production is expected to fall by 17 percent.

Vito Martielli, a grains and oilseeds analyst at Rabobank predicted the global harvest will decrease by about 600,000 tons. Martielli told the FT, “We have had bad weather affecting production three years out of the last five.”

Jonathan Watson, chief analyst at Foreign Currency Direct told the Telegraph, “A drought in the Mediterranean has hurt crop yields and major exporters like Greece and Italy are struggling to meet output expectations.”

Watson added, "The other major contributor is Brexit, with the drop in the value of the Pound meaning rising costs for U.K. importers and supermarkets. Faced with the Pound some 13 percent down versus the Euro since the referendum vote, the cost to buy goods from overseas has increased for British businesses."

Production has been higher than in 2012 when drought hit Spain, and 2014 when the *Xylella fastidiosa* bacteria infected many of Italy's olive trees, but more frequent declines in output and shorter supplies have made the olive oil market increasingly vulnerable to price spikes.

European demand for olive oil has decreased due to lower supplies and price hikes caused by the low value of the British pound. Demand elsewhere remained high, particularly in Australia, Brazil and China according to the IOC.

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