

# The USDA forecasts that the world production of olive oil will increase up to 2.7 million tons this campaign

**The United States Department of Agriculture (USDA) forecasts that world production of olive oil in the 2017/18 season will increase to 2.7 million tons, recovering slightly from the previous season.**

Global olive oil production in 2017/18 is forecast to rise to 2.7 million tons, recovering slightly from last year. However, reports of unfavorable growing conditions in the European Union indicate production will be lower than previously forecast. Spain, the world's largest producer of olive oil, is expecting a lower crop, down 10 percent year-over-year due to poor rainfall. This is likely to be offset by growth in other producers. Portugal is forecast to achieve record production as trees that were planted in 2004 are now bearing fruit. Italy is forecast to produce 320,000 tons of olive oil, with end of September rains occurring in Puglia, the main producing region, ensuring a high-quality product. Tunisia is forecast to have above-average production with good rainfall in September, and Turkey is likely to see production growth with young trees starting to bear fruit.

Global stocks are likely to tighten further, reaching their lowest level in the past 5 years, as global consumption remains strong and continues to closely follow output levels. Prices have climbed steadily from June 2016 to May 2017, after a major decline in late 2015, and have stabilized over the last few months. Even with higher production, tightening of stocks has helped push prices back to early 2015 levels. Olive oil is a premium product and demand is expected to remain strong despite higher prices stemming from lower stocks and smaller- than- anticipated production.

In 2017/18 global exports are expected to increase almost 5 percent. Despite limited production growth, the European Union is projected to maintain its exports at a relatively high level, yet below last year. The European Union is likely to lower its consumption of olive oil, replacing it with more sunflowerseed and rapeseed oils. The United States will continue to be the largest importer of olive oil, and the second-largest consumer. Although the European Union is the United States' largest supplier, lower EU production, may force U.S. imports to be sourced from other countries such as Tunisia and Turkey.

## Soybean consumption

Global soybean consumption in 2017/18 is projected to grow over 4 percent, primarily driven by China. Soybean consumption is forecast to rise nearly 8 percent in China, as imports surge to a record 97.0 million tons. Growing population, rapid urbanization, rising incomes, and improving living standards have spurred China's meat and fish consumption, creating strong demand for protein feeds and edible oils. Rising feed production, combined with increasing high-protein ingredients in feed rations have been driving soybean imports upward for the last decade. USDA forecasts that soybean crush for feed will continue to grow, supporting the almost 5 percent growth in hog production.

However, China is not only the world's largest livestock and protein feed producer, but also a major player in the vegetable oil market. Supported by strong economic growth over the last decade, the demand for edible oils has also been very robust. Over the same period, China's edible oil consumption grew by more than 50 percent. Additionally, continuing urbanization and rising incomes have significantly altered the vegetable oil market as consumers' preference has been shifting towards premium oils (so-called golden oils). Currently, soybean oil accounts for half of the total edible vegetable oil consumption, while laurics including palm oil, dropped to only 8 percent. As new trends develop and as consumers shift their preferences, there has been a stronger demand for other golden oils as well (rapeseed, peanut, sunflower, and cottonseed), which will replace palm oil in diets.

## Oilseed production

Global oilseed production is forecast higher this month at 579 million tons. Soybean crop prospects are higher for Brazil and South Africa, offset by a smaller crop in the United States. The peanut production estimate is raised for India and Senegal. Larger rapeseed production is estimated for the European Union and Russia. Global sunflowerseed production is projected lower as reduced crops in Argentina, South Africa, and Ukraine more than offset gains in the European Union. Global soybean imports are raised this month on a larger forecast for China that offsets reductions for Vietnam and Tunisia. Global exports are up following a larger projection for Brazil and Paraguay. World ending stocks for soybeans are up this month, with larger stocks in China, Brazil, and Argentina outweighing smaller stocks in the United States. The U.S. season-average farm price for soybeans is \$0.10 higher this month at \$9.30 per bushel.

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