



Although too many variables are still in play, world olive oil production in 2015–2016 looks set to be higher than in 2014/15 but lower than in 2013/14

Latest forecasts assess world olive oil production in 2015/16 at more than 2 500 000 t, placing it in between the levels of 2014/15 (2 287 000 t) and 2013/14 (3 244 000 t).

Heavy uncertainty hangs over the olive oil crop in Spain for 2015/16. Even so, it is expected to be more than 40 pc higher than in 2014/15. The past 12 months have seen complicated weather conditions and record temperatures during key phenological stages of the olive, says José María Penco, an agronomist with AEMO, the Spanish Association of Olive Municipalities. Coupled with a shortage of rainfall during the water year soon to end, these factors have generated uncertainty, particularly so in rainfed orchards, which initially looked poised to get off to a good start after the previous restful “off” year.

There are two approaches to predicting the next harvest, explains Penco. One is to conduct visual inspections and fruit counts on the ground in olive orchards. The other is to analyse the agro-climatic variables that affect fruit development from flowering until early September.

The AEMO expert confesses he has neither the means nor sufficient data for the field approach. For harvest predictions to be reliable, technical officers have to be strategically placed around the country and to apply a stringent measurement methodology. For the time being, he says, only the Regional Government of Andalusia has these means but it has not yet published any data.

In his opinion, all that can be said is that up to the end of July there was a huge difference between irrigated and rainfed olive orchards and large variations between areas, and even between farms, depending on how advanced flowering was when temperatures hit record levels in May. Going by the great heterogeneity among orchards on the ground, it can only be asserted that there will not be a bumper olive oil crop in 2015/16 although the harvest will be bigger than last season.

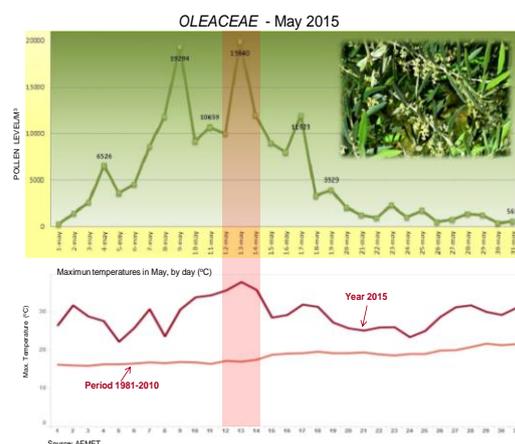
The second forecasting approach is very complex because numerous variables are involved and they are not uniform in all orchards. Even so, Penco outlines the most important milestones in the decisive phenological stages.

Starting conditions: Last season, Spain produced only 835 000 t of olive oil when its orchards have the potential to produce up to 1 800 000 t. This augurs well for the crop in 2015/16 because the olive’s alternate bearing pattern, particularly in rainfed orchards, means that an “off” year is followed by an “on” year with abundant flowering.

Precipitation: Mean precipitation in Spain’s olive growing areas is down by 30 pc, in other words the water year has been dry. Rainfall was low in the autumn-winter of 2014 and this year’s spring was quite dry too. As a result, soil moisture is low or even very low in some areas. All eyes will be trained on the rainfall in late summer and early autumn, which is vital for oil formation and the completion of fruit growth.

Temperatures: Penco mentions two crucial moments:

– Around 12 May, when the trees were flowering, temperatures rose to all-time highs in most of Andalusia’s olive orchards. The temperatures of close to 40° C impacted differently on districts, depending on whether or not the trees were in full bloom. Damage was on a smaller scale when the olive fruits had been set for at least 15 days. This was the case in areas such as Cadiz, Seville or southern Cordoba where this process takes place earlier. However, in Jaen, the hub of Andalusian olive cultivation, air pollen density coincided fully with a week of maximum temperatures (see chart on the right). So, temperature damage during flowering has been dissimilar, even inside the same province, depending on the phenological stage of the flowers/olive fruits.





– Weather was very harsh in areas of southern Spain in the month of July when temperatures of 40° C were recorded for more than 20 days, and longer in some cases. This was particularly harmful to the olives that had not yet completed the stone hardening stage and which withered before cell proliferation was over. Some of this fruit has fallen from the trees; the rest remains on the trees but has fewer oil-forming cells. Here again a distinction has to be made between rainfed and irrigated olive orchards and the phenological stage reached on each orchard at the beginning of July.

In short, concludes the AEMO technical officer, the forecasts for the next olive oil harvest are shrouded in uncertainty with many, complex variables in play. Some work in favour of the harvest but most –the weather variables – work against it. Depending on precipitation in the month of September, Penco reckons that olive oil production will reach 1 200 000 t at the most. It is also worth noting that the 2015/16 season will open with stocks at one of their lowest levels. Market concern is translating into high prices (see prices section). This situation is aggravated by the weakness of the euro vis-à-vis the dollar. If it persists, it will lead to another year where world consumption goes down. This is not good news because winning back consumers always takes time whereas a bumper world crop can appear on the scene all of a sudden.

I. WORLD MARKET FOR OLIVE OIL AND TABLE OLIVES

1. WORLD OLIVE OIL MARKET – 2014/15

Imports of olive oil by a number of countries under customs heading 15.09 and of olive pomace oil under customs heading 15.10 in the first nine months of the 2014/15 crop year (October 2014–June 2015) are reported in the table below. The data reveal year-on-year import increases of +12 pc in Japan with strong growth from March 2015. US imports remain stable after seeing decreases in March and April followed by increases in May and June. Imports by China likewise hold steady. On the contrary, imports have been going constantly downwards in Australia (–16 pc as of November 2014), Canada (–12 pc) and Brazil (–4 pc), which recorded sharp decreases in May and June. Lastly, through the eight-month period from October 2014 to May 2015, imports were lower in Russia (–26 pc), prompted by a switch of trend in December 2014.

The June 2015 data were not available for the EU at the time of publication but the figures for the first eight months of 2014/15 show an increase of 6 pc in intra-EU acquisitions and 253 pc in extra-EU imports compared with the same period a season earlier. Owing to the heavy drop in output in Spain and Italy, extra-EU imports by both countries soared, particularly imports from Tunisia (+1270 pc and +326 pc, respectively) compared with a season earlier. As reported in the previous issue of this newsletter, this upward movement began in December 2014 even before the change in the EU regulation on the tariff quota at zero-rate duty, a fact connected with the large climb in Tunisian production in the current 2014/15 crop year.

No	Importing country	October 13	October 14	November 13	November 14	December 13	December 14	January 14	January 15	February 14	February 15	March 14	March 15	April 14	April 15	May 14	May 15	June 14	June 15
1	Australia	2169.9	3125.1	2461.2	2391.8	2004.0	1652.1	2211.3	1856.8	2022.2	1607.8	2946.1	1790.2	2703.3	1727.6	2104.3	1721.5	2002.0	1446.9
2	Brazil	9075.3	9584.6	6239.6	7289.9	7156.7	6249.3	5163.6	6367.2	5215.4	5517.4	6746.9	6682.1	5281.0	4769.3	5110.2	2781.4	5158.0	3971.6
3	Canada	4014.7	3985.0	2845.6	3257.6	2662.2	3069.3	3649.0	2341.2	2785.6	3008.9	3955.1	2873.2	5650.3	4118.7	3966.0	4229.0	4810.3	3353.7
4	China	2699.4	2410.8	3030.7	3651.5	4007.6	3530.5	3268.3	2850.1	1050.3	1471.1	2323.1	2503.5	2532.7	2835.5	2954.8	2534.2	4032.4	4139.4
5	Japan	4410.0	4776.0	4386.0	4735.0	3967.0	3965.4	4271.0	4531.1	4039.0	3474.0	4840.0	6753.0	5634.0	6319.0	5394.0	8550.0	3961.0	4603.0
6	Russia	2982.0	4259.5	2763.7	3192.4	3174.3	2653.1	1914.2	1513.0	2641.5	1216.5	3256.9	1589.2	3350.6	1163.6	2855.7	1126.1	3034.5	nd
7	USA	23274.0	23332.0	27163.1	28449.8	21455.9	18755.6	26704.8	24296.3	17979.9	27443.4	29814.3	27063.3	37422.5	31125.9	23534.5	25085.9	28791.5	31444.9
8	Extra-EU/27	14233.0	6722.0	6659.0	6801.8	5141.0	14707.0	6711.3	18871.7	2110.4	22619.4	3849.5	26731.0	3741.0	32426.3	2090.7	28187.5	2611.7	nd
	Intra-EU/27	88710.0	89729.0	75558.0	98016.0	98320.0	122803.0	93392.2	101262.0	107591.3	106374.0	98077.7	105097.7	96205.0	88340.2	103856.8	93855.1	97045.0	nd
	Total	151478.3	147924.0	131106.9	157765.8	147888.7	177385.2	147285.7	163889.4	145435.6	172732.5	155809.6	181063.2	162520.4	172826.1	151567.0	165870.7	151446.4	

2. WORLD TABLE OLIVE MARKET - 2014/15

In the first nine months of the 2014/15 crop year, i.e. from October 2014 to June 2015, table olive imports (see next table) were higher in the United States (+14 pc) and Brazil (+2 pc) than in the same period a year earlier. In the case of Australia, imports have moved in the opposite direction, dropping by 13 pc since November 2014. The same applies to Canada (–1 pc). Data for Russia are only available for the eight months from October 2014 to May 2015 and show a constant drop in imports (–14 pc since December 2014).

At the time of publication, the data for June 2015 were not available for the EU but in the first eight months of the 2014/15 season, both intra-EU acquisitions and extra-EU imports went up by 5 pc versus the same period of 2013/14.



Table Olive Imports (t)

No	Importing country	October 13	October 14	November 13	November 14	December 13	December 14	January 14	January 15	February 14	February 15	March 14	March 15	April 14	April 15	May 14	May 15	June 14	June 15
1	Australia	1511.0	1547.0	1657.0	1234.0	1905.0	1580.0	1740.0	1409.0	1431.0	1064.0	1640.0	1418.0	1408.0	1385.0	1437.0	1316.0	1195.0	1154.0
2	Brazil	11789.2	12930.3	11299.5	10285.5	8721.4	8685.1	6171.8	8007.7	6273.1	6715.2	7564.4	9256.8	9458.1	8610.0	9928.2	9197.6	9644.0	8486.6
3	Canada	2795.0	2413.0	2656.0	2469.0	2074.0	2810.0	2622.0	2144.0	2308.0	2390.0	2210.0	1890.0	2620.0	2704.0	2558.0	2721.0	2384.0	2500.0
4	Russia	8882.2	11076.5	9073.0	8719.1	5026.1	7288.0	4861.8	3413.8	4713.8	2313.8	6308.1	3292.9	5709.6	3564.1	4924.2	2856.5	4688.3	nd
5	USA	11434.0	10367.0	10396.0	10164.0	10937.0	12219.0	10483.0	11629.0	9452.0	10732.0	10932.0	16677.0	11764.0	13795.0	10722.0	14616.0	12165.0	11579.0
6	Extra-EU/27	6294.0	8296.0	5459.0	7062.1	6404.0	8090.7	7154.4	7778.9	7134.0	6884.8	9755.0	9319.3	9138.0	8613.4	9239.0	7204.6	9457.0	nd
	Intra-EU/27	27012.0	27129.0	25216.0	23218.6	23896.0	27400.6	19431.0	19872.0	20767.8	21843.7	21646.0	24769.9	22340.5	22863.4	23028.8	24928.1	25163.3	nd
	Total	69607.4	73760.8	65756.5	63152.3	58965.5	68073.4	52464.0	54254.4	52079.7	51743.5	60055.5	66623.9	62438.2	61714.9	61837.2	62839.8	64896.6	

II. PRODUCER PRICES

Graph 1 tracks the weekly movements in the prices paid to producers for extra virgin olive oil in the three top EU producing countries plus Tunisia while Graph 3 shows the weekly changes in the producer prices for refined olive oil in the main three EU producers. The monthly price movements for the same two grades of oil are tracked in Graphs 2 and 4.

It is not for the IOC to judge whether these price levels reflect an adequate balance between production costs along the supply chain and the prices that consumers are prepared to pay in their domestic currency to continue consuming olive oil. Nevertheless, this is a concern that all the players on the market will no doubt take into account with an eye to the long-term sustainable equilibrium and development of the sector.

Extra virgin olive oil: Producer prices in **Spain** have risen steadily since the second half of 2014. After topping €4/kg in the second week of August 2015, they continued upwards to reach a period high (€4.23/kg) in the third week, then dipping to **€4.19/kg in the last week**. This latest price level is 58 pc higher than a year earlier and 114 pc above the low recorded in the third week of May 2014 (€1.96/kg).

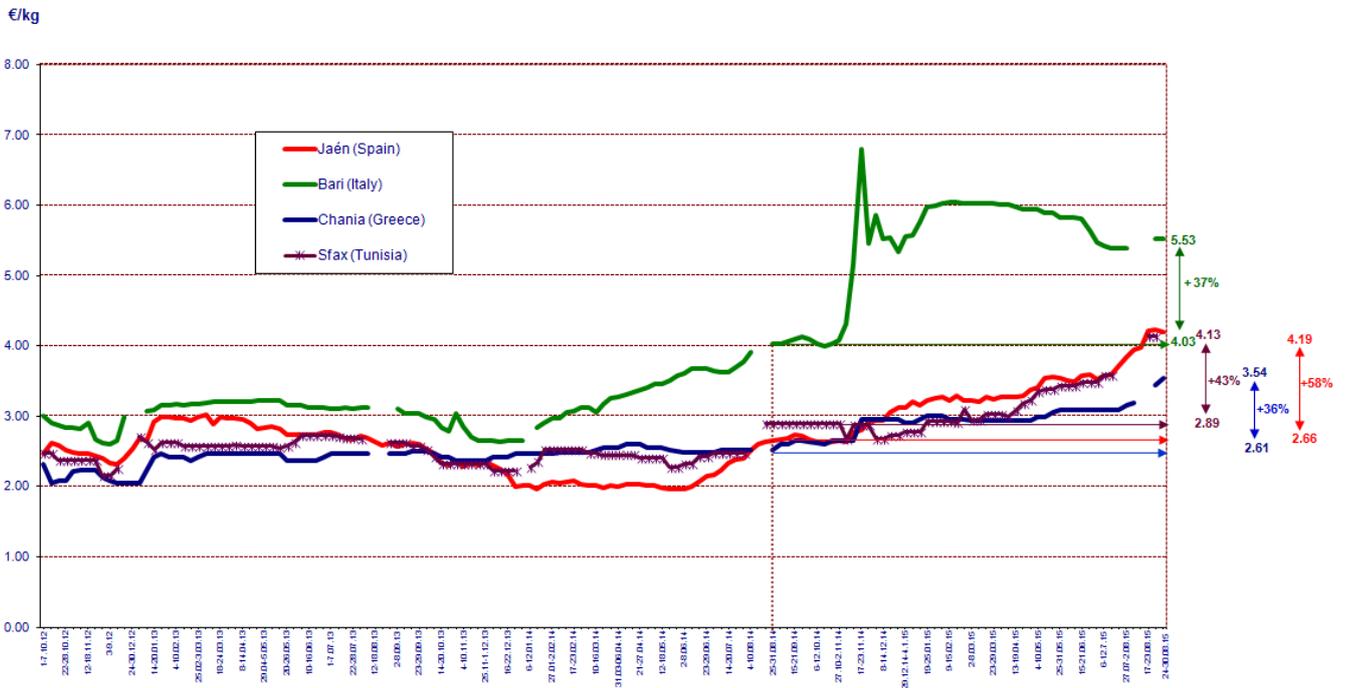
Italy: In recent months, producer prices in Italy have been on a very clear upward trend. In the week from 10 to 16 November 2014, they hit the highest level of both the period under review and the last decade, reaching €6.79/kg. After decreasing slightly in the second last week of December 2014 prices switched back upwards. After some small dips, they were lying at **€5.53/kg at the end of August 2015**, i.e. 37 pc higher than a year earlier and 109 pc more than the low recorded in the second week of December 2013 (€2.64/kg). Graph 2 shows how the monthly prices of extra virgin olive oil have behaved in recent crop years.

Greece: Prices have been high in recent months, crossing the three-euro/kg barrier in the third week of January 2015. In the last few weeks they have risen to period highs and were lying at **€3.54/kg by the end of August**, +36 pc higher than the same period a season earlier.

Tunisia: Towards the end of December 2014, producers were being paid €2.73/kg for their extra virgin olive oil. Prices held steady for a while but then started to move upwards in the first week of January 2015. After some small fluctuations, they again reached period highs and were lying at **€4.13/kg by the end of August 2015**, equating with period-on-period growth of +43 pc.

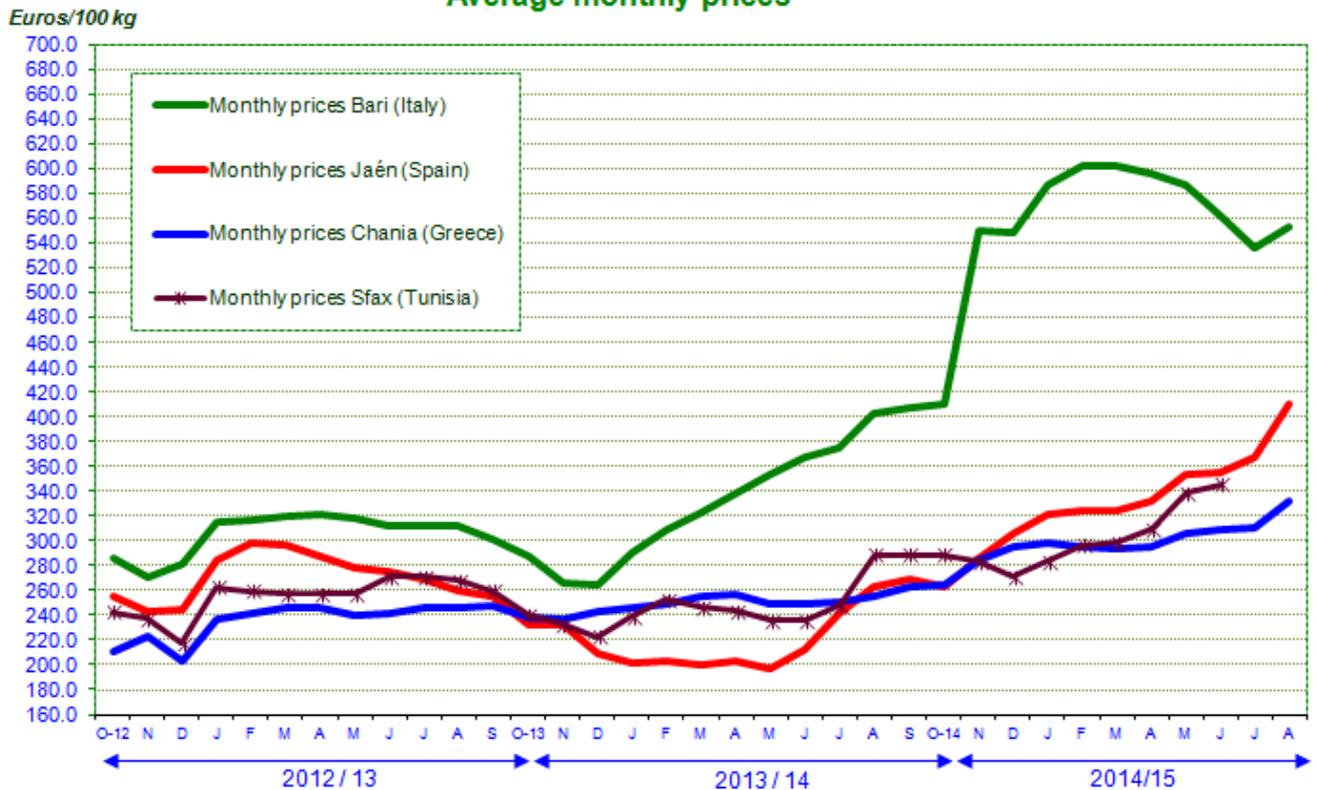


2012/13, 2013/14 & 2014/15 CROP YEARS EXTRA VIRGIN OLIVE OILS
Weekly producer price movements Bari, Chania and Jaen markets



Graph 1

MOVEMENTS IN PRODUCER PRICES
EXTRA VIRGIN OLIVE OIL
Average monthly prices

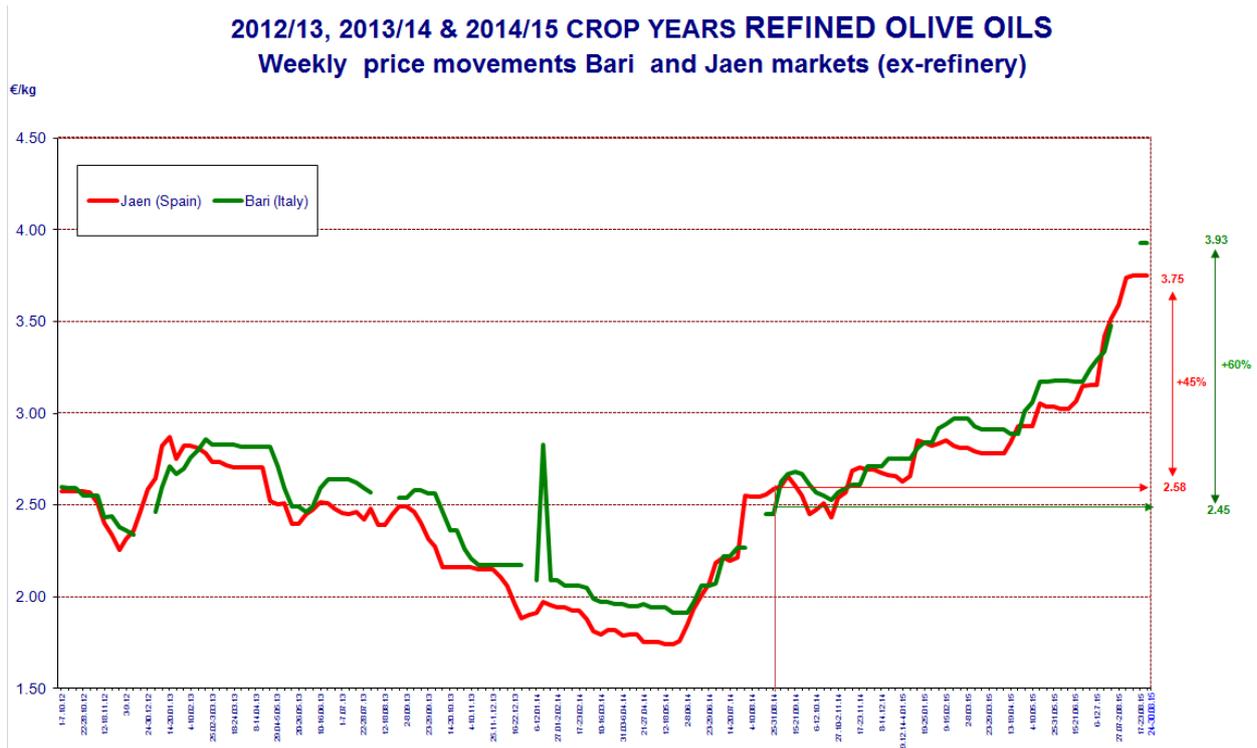


Graph 2



- **Refined olive oil:** Producer prices for refined olive oil have hit their highest levels for the period under review. In **Spain** they were standing at **€3.75/kg** at the end of August 2015, up by 45 pc on the same period of the preceding crop year. In **Italy** prices stood at **€3.93/kg** at the end of August 2015, translating into a period-on-period increase of 60 pc. No price data are available for this product category in Greece.

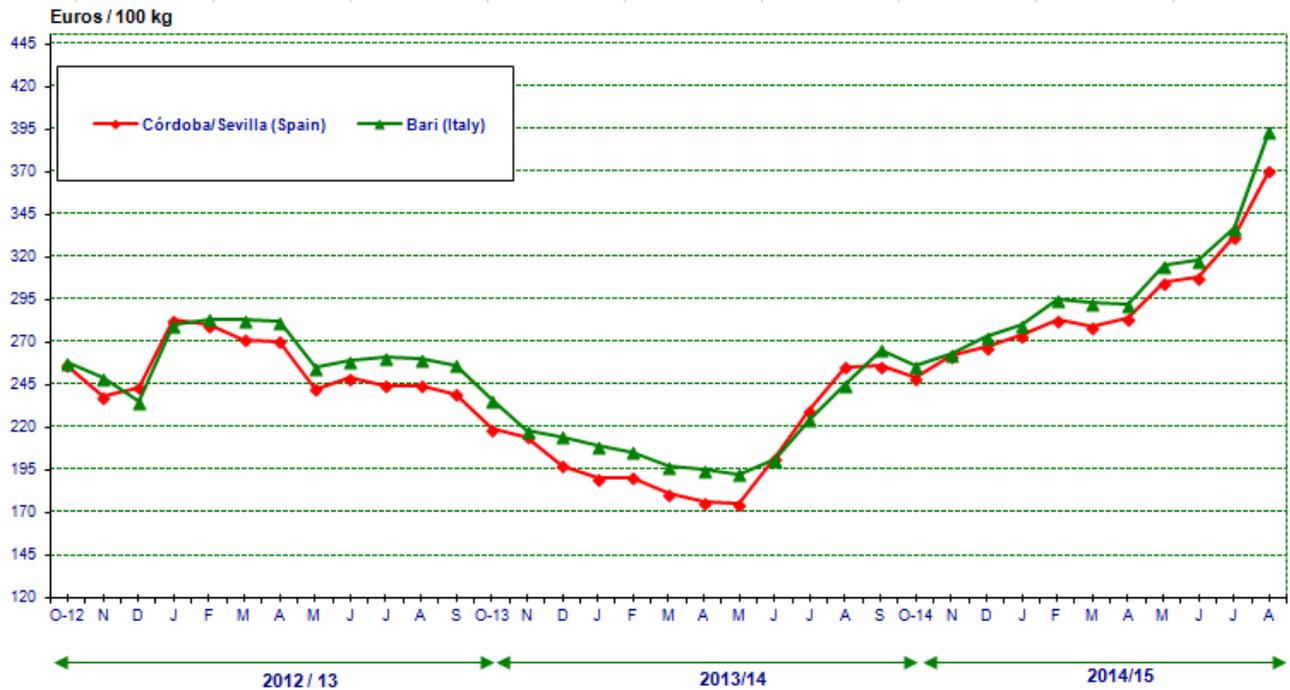
At the end of August 2015, the price of refined olive oil (€3.75/kg) and extra virgin olive oil (€4.19/kg) differed by €0.44/kg in Spain. In Italy, the difference in price between the two categories was considerably wider (€1.60/kg - Graph 3).



Graph 3



MOVEMENTS IN PRODUCER PRICES
REFINED OLIVE OIL
Average monthly prices



Graph 4

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