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MINUTES

***Meeting of the* « WORKING GROUP ON OLIVES"**
OF THE CIVIL DIALOGUE GROUP "HORTICULTURE, OLIVES AND SPIRITS"

Date: 22 October 2019

Chair: Miguel García Navarro (DHoU AGRI G4)

Delegations present: All Organisations were present, except CEJA and IFOAM.

1. Approval of the agenda

The agenda was approved.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

3.1 Welcome and presentation of the structure and functioning of the Working group

The Commission representative introduced this second meeting by reminding the experts of the purpose of the group. The objective of the group is to increase the knowledge on the olive oil and table olives markets, and ultimately to allow the olive oil and table olives sector to benefit from the exchanges of information within the group. The Commission representative invited the experts to share accurate experiences or report on accurate facts only.

3.2 Olive oil sector - Market situation and exchange of views on production forecast for marketing year 2019/20

The Commission representative presented the olive oil market situation and main global market news.

Marketing year 2018/19. World olive oil production is expected to have reached 3.2 million tonnes (-6% y/y). In the same period, EU production reached 2.3 million tonnes (+4% y/y). Spain reached a record level of 1.79 million tonnes. On the contrary, Italy, Greece and Portugal reached respectively only 175 000 tonnes (-59% y/y), 185 000 tonnes (-47% y/y), and 101 000 tonnes (-25% y/y). EU provisional ending stocks for marketing year 2018/19 have been revised up to 859 000 tonnes.

Marketing year 2019/20. The EU is forecast to reach an average production at around 2.1 million tonnes. Spain is set to decrease production at around 1.25 million tonnes (-30% y/y), whereas the other main producing Member States should sharply increase production; Italy, Greece and Portugal are forecast to produce respectively 350 000 tonnes (+100% y/y), 300 000 tonnes (+62% y/y) and 140 000 tonnes (+39% y/y).

Trade. During the first eleven months of the marketing year 2018/19 (October 2018 to August 2019), imports from third countries into the EU decreased by 20.8% compared to the same period of the previous marketing year (from 172 761 tonnes down to 136 908 tonnes). On the other hand, 584 978 tonnes of EU olive oil were exported to third countries during the same period, increasing by 14.5% compared to the same period of the previous marketing year. The U.S. Trade Representative decided on 2 October 2019 to tax with 25% additional import duties bottled olive oil originating from Spain (as of 18 October 2019). Compared to the last five-year average, the volume of Spanish olive oil targeted by the sanctions (48 672 tonnes) represents 19.8% of the US imports of olive oil from the EU and 16.8% of the total Spanish extra-EU exports of olive oil.

Prices. Prices of extra virgin olive oil in Spain have remained subdued since December 2018 and reached EUR 2.24 per kg (-19.3% y/y) in the last week of September. In Italy, prices of extra virgin olive oil have steadily decreased since February 2019, hitting EUR 4.09 per kg in the last week of September (-13.5% y/y). An average production expectation at EU level, combined with high levels of stocks for the beginning of the current marketing year 2019/20, could put further pressure on prices over the coming months.

Exchange of views on production forecast for marketing year 2019/20. The ES expert considers that Spanish production forecast for marketing year 2019/20 at 1.25 million tonnes is too optimistic. Instead, the expert would forecast production between 1.10 and 1.15 million tonnes. The IT expert confirmed production forecast at 350 000 tonnes. The EL expert also considers that Greek production forecast at 300 000 tonnes would be too optimistic, and would forecast production between 270 000 and 290 000 tonnes.

A discussion on U.S. import duties followed. Experts expressed their concerns on the impact of such additional duties not only on Spanish exports to the U.S., but on EU exports to the U.S. Trade flows should adjust to the new scenario over the coming months. The ES expert raised the question on how the rule of origin will apply when exporting to the U.S. blends of olive oil containing ES olive oil and pointed out that the impact of the U.S. additional duties may have a broader impact than just affecting Spanish direct exports to the US of bottled olive oil.

3.3 Short-term outlook with focus on U.S. trade (DG AGRI)

The Commission representative presented the production prospects of 2019/20 based on trend analysis, as well as the medium-term projections until 2030.

Market balance forecast 2019/20. Productivity recovery and large availabilities expected would result in a decrease in EU imports. Additionally, low prices could favour an increase in domestic consumption, particularly in IT and EL. EU exports would remain above average thanks to sustained demand in Asian markets. On the other hand, EU exports to the U.S. are expected to slow down in the very short term due to stockpiling in marketing year 2018/19 and to the U.S. sanctions.

Medium-term forecast. An increase in the share of irrigated areas as well as new plantations replacing old or less productive ones is expected. This increase is subject to the availability of land to develop large-scale production systems, water use and mechanisation and investment. Yields of olives for oil are subject to strong inter-annual variations, resulting from weather conditions and alternate bearing of olive trees. The oil content in olives is also weather dependent, particularly in non-irrigated groves. Olive oil consumption is set to marginally decrease by around 3% in the EU producing countries over the medium term.

The ES and PT experts confirmed that the areas of olive trees are expected to increase, as well as the share of irrigated groves. The EL and IT experts also confirmed the same trend, although at a lower scale in their countries.

As regards yields, the ES expert confirmed that the increase in the share of irrigated groves is expected to have a positive impact on Spanish olive oil production. However, an increasing demand for "early harvest" olive oil is observed. This results in lower yields in terms of oil content in the olives, although higher quality of the olive oil produced.

3.4 Table olives sector. Market situation and production forecast for marketing year 2019/20

The Commission representative presented the table olives market situation and main global market news.

Marketing year 2018/19. World production revised down to 2.6 million tonnes, resulting from downward revision both for non-EU countries (to 1.8 million tonnes), and for EU countries (to 796 000 tonnes).

Trade. In marketing year 2018/19, EU imports have remained stable at around 157 000 tonnes compared to the previous marketing year, whereas EU exports have increase by around 8% to 423 000 tonnes in the same period. The U.S. Trade Representative included ES green olives in the list of products targeted by an additional import duty of 25% in relation to the U.S./EU dispute at the WTO on subsidies to civil aircrafts. Since ES ripe olives were already subject to an additional AD/CVD import duty of around 35%, virtually all ES exports of table olives to the U.S. are hit by import duties.

Production forecast for marketing year 2019/20. The EL expert presented production forecast for marketing year 2019/20. ES expected to produce 522 000 tonnes, and EL 261 000 tonnes. Egypt expected to increase production to 500 000 tonnes.

The ES experts forecast production at 480 000 tonnes for marketing year 2019/20 (-18% y/y). U.S. duties on ripe olives have lowered ES exports by 50% (32 000 tonnes in 2016/17, down to 16 000 tonnes in 2018/19, and 14 000 tonnes expected in 2019/20). Morocco should be the country benefitting in a greater manner from U.S. import duties imposed to ES table olives.

4. List of participants

See in Annex.

(e-signed)
Miguel GARCIA NAVARRO
Deputy Head of Unit

List of participants– Minutes

MEETING OF THE "WORKING GROUP ON OLIVES"
OF THE CIVIL DIALOGUE GROUP ON "HORTICULTURE, OLIVES AND SPIRITS"

Date: 22/10/2019

	MEMBER ORGANISATION	NUMBER OF PERSONS
1	BEUC	1
2	CEJA	-----
3	CELCAA	1
4	COPA/COGECA	12
5	ECVC	1
6	FOODDRINKEUROPE	6
7	IFOAM	------
	TOTAL	21