

KEY MESSAGES

Olive oil: -12%

Initial availability (production +stocks) in 2023/24

Wine: -5%

Ending stocks in 2023/24

Apples: -2.4%

Usable production of apples in 2023/24

Oranges: +5%

Production of oranges for processing in 2023/24

SPECIALISED CROPS

HIGHLIGHTS

Following the record low EU olive oil production in 2022/23, no full recovery of the production potential due to adverse weather conditions is expected in 2023/24, as it could likely reach only around 1.5 million t. Combined with lower beginning stocks, prices stay at a record high which could continue having negative impacts in 2023/24 on EU exports (-10%) and further reduce EU consumption (-6%).

The EU wine production in 2023/24 could decline as well (around 6%), mainly due to a drop in Italian production which is likely to lose its first position as the largest EU producer to FR. EU consumption of wine could follow its decreasing trend while other uses could grow, supported by crisis distillation. Given this, EU imports will continue declining while EU exports could remain stable, following relatively high volumes traded last year.

Adverse weather conditions could negatively impact EU apple production in 2023/24 (-2.4% year-on-year) and orange production (-2%). In both cases, the reported quality is low, and consequently more fruit is anticipated to be channelled to processing. In addition, this is driven by still high storage costs. Lower availability of fresh apples and oranges, combined with high consumer prices are likely to push their consumption further down. EU exports of fresh fruit are expected to decline while imports could grow, more in the case of apples which could recover from low levels.

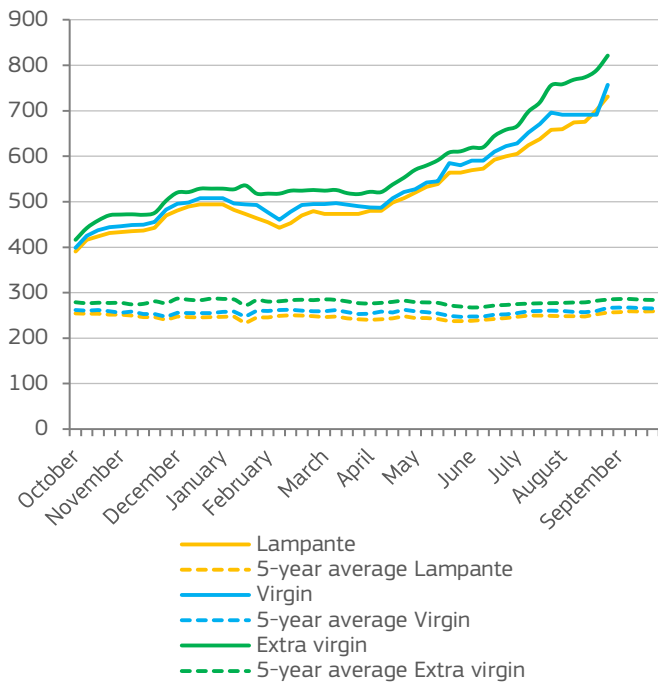
OLIVE OIL

RECORD HIGH EU OLIVE OIL PRICES

Due to a lower EU olive oil production in 2022/23 (almost -40% year-on-year), and expectations of a below-average harvest in 2023/24, producer prices are reaching historical highs across the categories and EU countries. For example, in Jaen, the largest EU producing region, they reached around EUR 820/100 kg at the end of August for extra virgin olive oil, EUR 760/100 kg for the virgin category and EUR 730/100 kg for lampante. In all cases, these prices are almost 3-times higher than the 5-year average, and the highest ever.

Given a delayed transmission of these increases along the olive oil chain (e.g. linked to a length of contractual agreements), these developments are likely to impact EU consumption and exports negatively in the upcoming months. Some drops have been observed already. Between Apr-Jun 2023, monthly EU exports declined by around 40% compared to the same months in 2022, supporting an overall decline in 2022/23 EU exports which could cull close to 600 000 t (220 000 less than in 2021/22). At the same time, EU imports could be slightly lower than estimated before summer (160 000 t). Further downward revision (around 15 000 t) is expected to the previous EU consumption estimate, mainly driven by a stronger reduction of consumption than expected in countries other than ES, IT, PT and EL (-15% year-on-year).

Producer prices of olive oil by categories in Jaen in 2022/23 (EUR/100 kg)



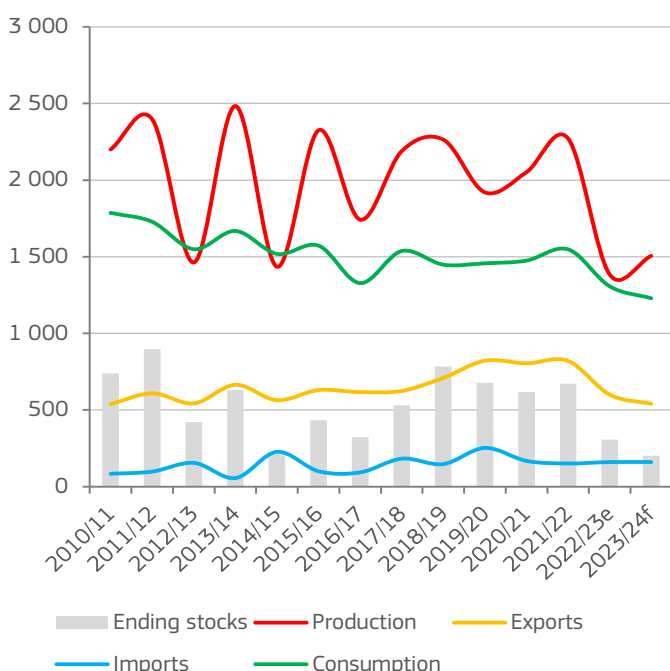
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

LIMITED OLIVE OIL PRODUCTION RECOVERY IN 2023/24

EU olive oil production in 2023/24 is likely to suffer from negative weather events which took place over the whole growing cycle. Notably, ES, PT and EL suffered from an extremely dry and hot spring, while IT benefitted from rainfall. Episodes of rain shortly before and during summer did not likely improve the situation in ES and PT, as they were followed by new heatwaves. Instead, such weather pattern is likely to help olive fly and pest development. As a result, ES and PT are expected not to reach their full production potential even if their recovery is likely to be only around 20% compared to last year. EL is to be in off-year of the alternate bearing cycle, with an expected production drop of around 20%. Only IT production could grow as it, contrarily to EL, should be in on-year. Overall, EU olive oil production is likely to only reach around 1.5 million t (+9% year-on-year). As the beginning stocks are low, the EU availability could be the lowest in recent years (-33% below 5-year average). In this context, olive oil prices are expected to remain at high levels in the upcoming marketing year 2023/24.

To some extent, expected stable imports could support the EU supply, mainly thanks to a slightly better harvest in Tunisia. On the other hand, prices and lower availability will remain the main factors to push both international and EU demand down. This could lead to further drop of EU exports (to 540 000 t, -10%), and EU consumption (-6%) which already declined significantly in 2022/23.

EU olive oil production, consumption, trade and ending stocks (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.



WINE

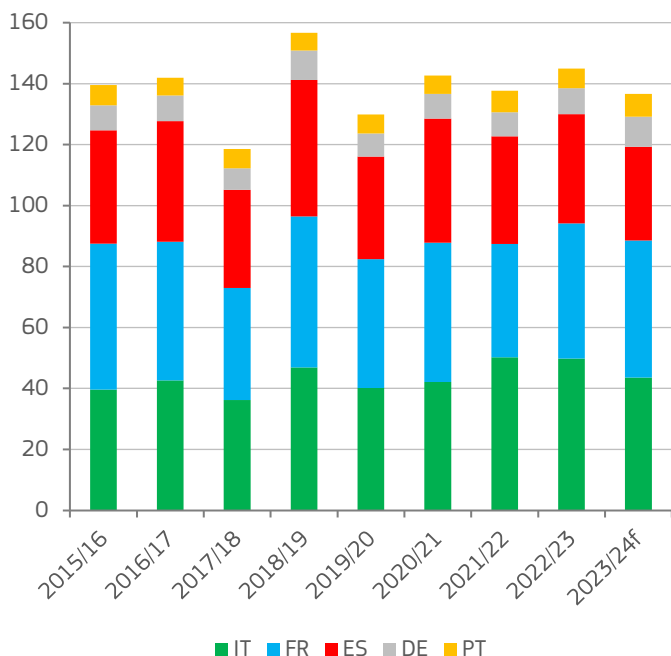
EU WINE PRODUCTION DOWN IN 2023/24

The first estimates of 2023/24 EU wine production suggest an annual reduction of around 6% to a volume of around 150 million hl (-4.5% below 5-year average). The drop in Italian and Spanish production (-12% and 14% respectively year-on-year) is expected to be the main explanation of this decrease. In IT, the main reduction is in Central and Southern Italian regions (Abruzzo, Puglia, and Sicily 30-40% down).

In ES, despite contrasting developments between regions, excessive rainfall (e.g. Galicia, Castilla y Leon), heat and drought conditions (e.g. Castilla la Mancha and the east regions) are likely to result in a substantial drop of the harvest. There are reports in some regions also of a lower quality due to smaller-sized grapes, irregular maturation and diseases.

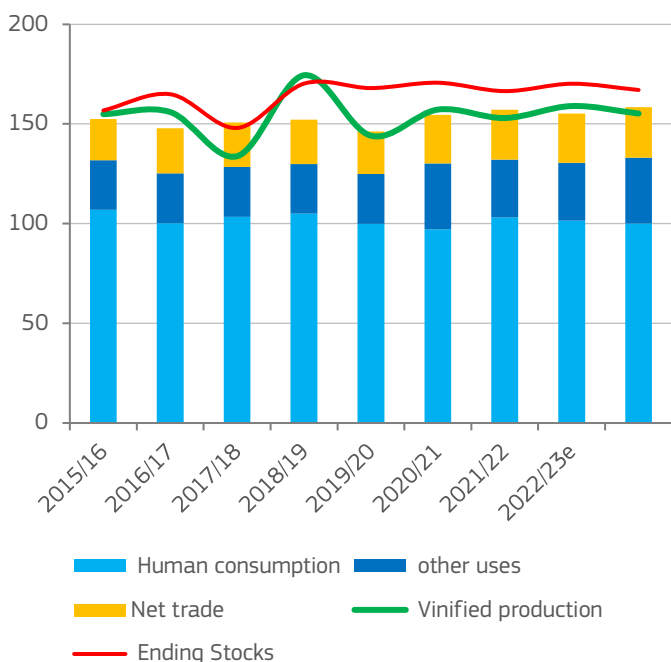
On the other hand, an average harvest is expected in FR (around 45 million hl, +1% year-on-year). Given the decline in IT, FR is expected to become the largest EU wine producer in 2023/24. A production recovery is also expected in DE (+16% year-on-year), thanks to the sufficient water supply over the growing cycle, as well as in PT (+15% year-on-year) who is also reporting a good quality of grapes.

EU wine production of main producing countries (million hl)



Source: DG Agriculture and Rural Development, based on MS notifications.

EU wine production, consumption, net trade and ending stocks (million hl)



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

STOCKS TO GO SLIGHTLY BELOW AVERAGE

EU wine consumption especially for red wine, is expected to continue its declining trend (-1.5% year-on-year), supported by a shift of consumer preferences towards different types of beverages (e.g. beer) and due to a lower purchasing power. On the other hand, other uses are likely to grow and could reach close to 33 million hl, mainly due to crisis distillation.

The international demand also continues weakening, presumably due to worsening purchasing power in some EU export markets. In addition, given record EU exports in the last two years and a limited decline in 2022/23, stocks are likely to be available in some export markets. In 2023/24, the potential decline in prices may help EU wine exports but at the same time, more competition in lower-price segments could arise from wines of non-EU origins. This could be the case for the UK market. Therefore, at this stage, stable EU exports are expected in 2023/24, supported by sparkling wines. EU imports are expected to go further down to 6 million hl (-4.3% year-on-year and -18% below 5-year average), along the 10-year declining trend. As a result of above-mentioned developments, EU ending stocks in 2023/24 could be down to 161 million hl (5% below the high level of last 5-year average). This decline results also from the removal of 3.75 million hl of stocks excess in some regions through crisis distillation.



APPLES

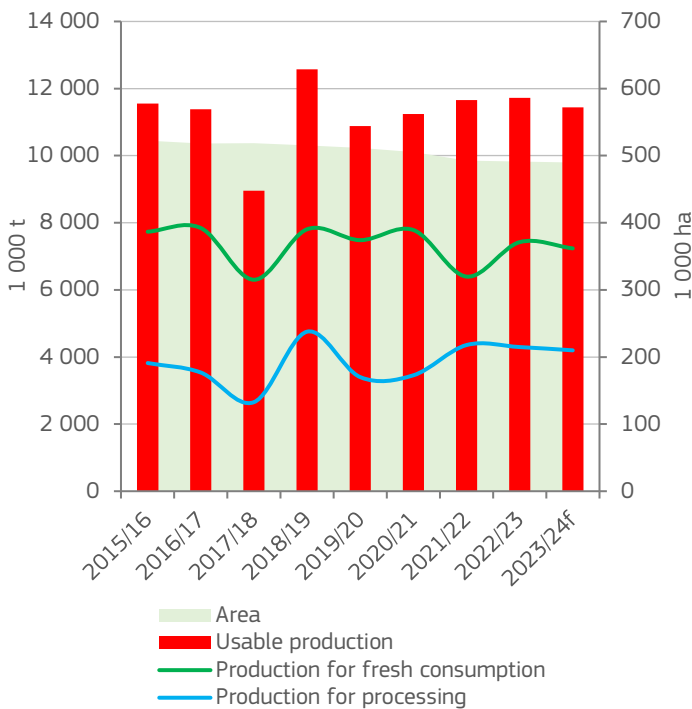
LESS APPLES IN STOCK

Unfavourable weather conditions are contributing to a lower EU apple production in 2023/24. Usable production is expected to be around 12 million t (-2.4% year-on-year). This is mainly due to limited pollination in spring, rainfall deficit over several months, increasing pest pressure, and high production costs.

Following the record high production in 2022/23, PL, the largest EU producing country, is likely to reduce its production and reach less than 4 million t. In addition, lower than average harvest is also expected in IT, and DE while some increases could be recorded in FR. The reduced production, still high storage costs, and heatwaves in Southern EU, which caused skin damages that shorten storage periods, are expected to contribute to lower stocks of fresh apples. On the other hand, this, together with currently low stocks of concentrated apple juice, could keep the availability of apples for processing stable which follows two years when this availability grew. However, this could further change with the evolution of the international demand.

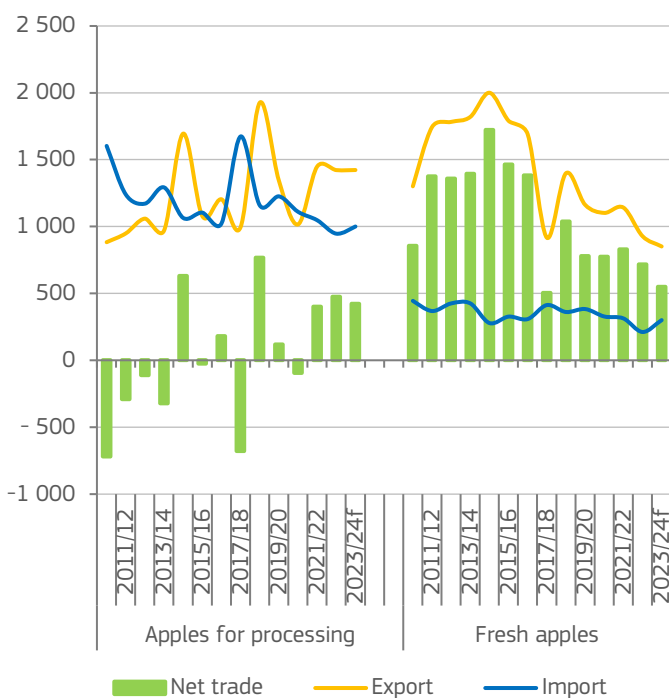
Due to lower availability of fresh apples in 2023/24, purchases of fresh apples for consumption are likely to decline and could be around 15 kg per capita (-3.6% year-on-year).

EU apples area and production



Source: DG Agriculture and Rural Development, based on Eurostat.

EU trade of apples (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat.

LOWER EU AVAILABILITY REDUCES EXPORTS OF FRESH AND PROCESSED APPLES

While the consumption of fresh apples could decline, EU use of apples for processing (including both real consumption and stocks) could drop less in 2023/24 (by around 1% to the 5-year-average).

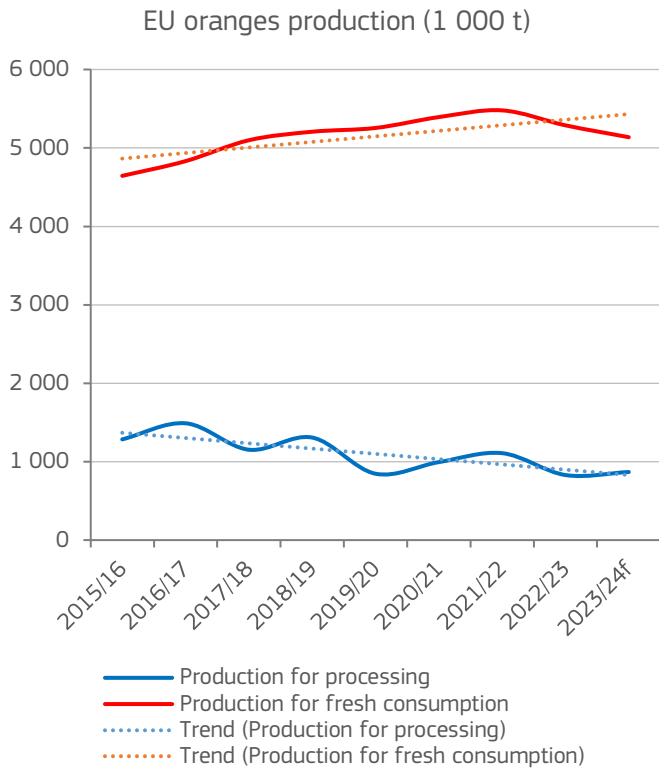
At the same time, high world-wide demand for concentrated apple juice, and higher availability in the EU (considering volumes possibly available in stocks as well), could support EU exports to keep the same levels as in the last marketing year (1.4 million t, slightly above 5-year average). The main EU export markets remain the UK and the US (2/3 of the total EU export of processed apples).

EU exports of fresh apples could continue declining in 2023/24 (-8% year-on-year), driven by a lower production and significantly lower exports to Egypt due to import restrictions. While EU imports of fresh apples are generally on a declining trend, the lower availability in 2023/24 could to some extent be compensated by increasing imports compared to the last year when they were historically low.



ORANGES

LOWER EU PRODUCTION OF ORANGES IN 2023/24



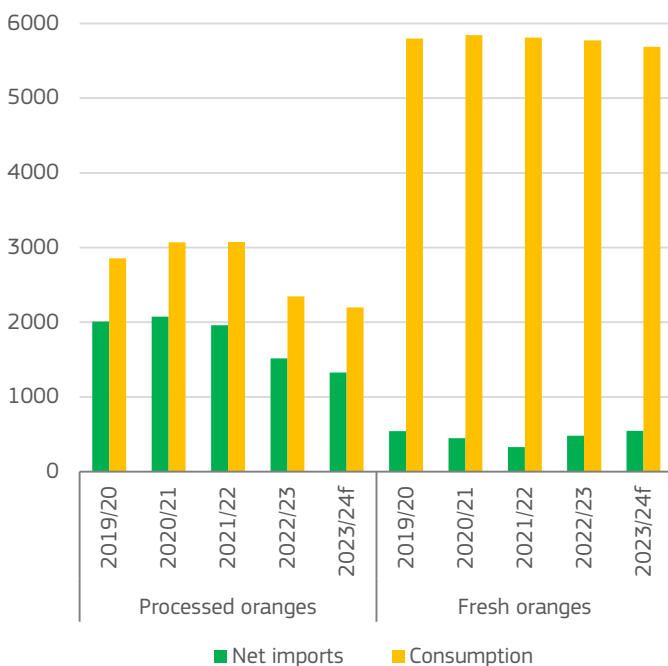
Source: DG Agriculture and Rural Development, based on Eurostat.

2023/24 EU orange production is expected to slightly decline (-2% year-on-year) and could reach 6 million t. This expected decline is due to drop in ES, the largest EU producing country, which is suffering from adverse weather conditions, pest pressures, and land abandonment due to lower profitability. To some extent, the drop could be compensated by an increase of production in IT.

Driven by a lower quality of fruit, and similarly to the last marketing year, more fruit could be channelled to processing relative to an overall production increase (+5% year-on-year, but 12% below 5-year average). Complementary to this, the persistently high energy prices favour the processing of oranges over their storage as fresh fruit. As a result, the EU production of oranges directed to fresh consumption could decline in 2023/24 (-1.5% year-on-year).

While the total EU area is likely to remain relatively stable, the yields in some countries could grow. For example, in IT they are expected to be 13% above its level in the last year. This increase will not compensate an overall annual decline of around -1% in orange yields across the EU. However, this is still 7% lower compared to 5-year average.

EU consumption and net trade of oranges (1000 t)



Source: DG Agriculture and Rural Development, based on Eurostat.

FRESH PER CAPITA CONSUMPTION DOWN IN 2023/24

The EU per capita consumption of fresh oranges is expected to drop to 12.6 kg in 2023/24, 2% lower compared to the last marketing year. This aligns with the lower availability in the EU, and this will likely lead to higher EU imports. These experienced already a double-digit growth in the last marketing year (+15%), and they are expected to increase rather modestly in 2023/24 (+7%). Following a decline of EU exports in 2022/23, driven by a drop in production and high prices, these could further decline and reach 0.35 million t (3% year-on-year). Nevertheless, exports could remain 15% below 5-year average, potentially being restricted by higher prices compared to other competitors.

Regarding processed oranges, EU per capita consumption is due to decline by 7%, prolonging the downward trend observed in last years. EU exports of processed oranges could increase by 21% year-on-year, rebounding from a record-low level in 2022/23. Nevertheless, they could remain very low compared to 5-year average (-32%), driven by a lower availability. As for EU imports, these are not expected to grow despite on-average lower EU production for processing, as the demand is following a declining trend.

