Briefing
September 2017

European Parliament

The EU olive and olive oil sector
Main features, challenges and prospects

SUMMARY

Large and intensive olive plantations or small traditional olive orchards, together with ancient olive groves and even monumental olive trees, some of which are 2 500 or 3 000 years old – all these are emblematic of the Mediterranean basin's landscape, cultural heritage and culinary traditions. Olive-based products are primary elements in the agricultural economy of the EU's southern countries, with about 5 million hectares of plantations and more than €7 000 million in production value every year.

Although olive and olive oil prices have risen in recent years, turnover on individual farms depends on olive grove size and productivity levels, with the unit costs of production in traditional systems noticeably higher – and therefore less profitable – than in intensive and irrigated cultivation systems.

EU producing countries account for 70 to 75 % of world production of olive oil and more than one third for table olives. EU legislation seeks to sustain and enhance this leading role, with a framework of rules on areas ranging from aid to producers to promotion initiatives, and from plant health to quality and marketing standards.

Economic forecasts point to increased production (especially in Spain) and demand from non-producing countries, which will enhance the EU's leading role on the export market.

The EU is a member of the International Olive Council, whose latest agreement establishing rules for the organisation of the international olive market is in the process of being adopted by the EU institutions.

In this briefing:

EPRS | European Parliamentary Research Service
Author: Rachele Rossi
Members' Research Service
PE 608.690

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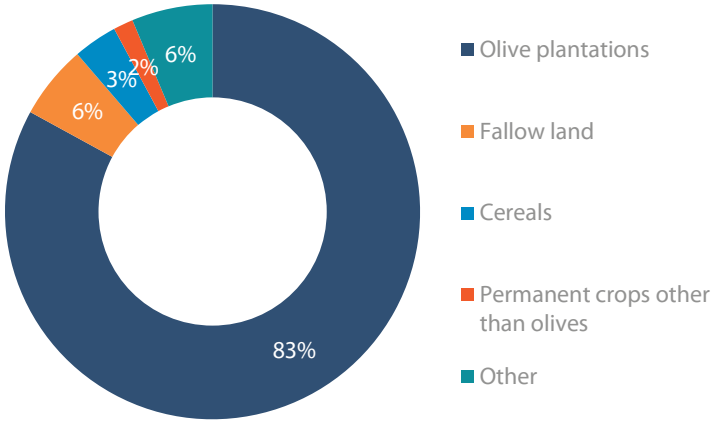
Facts and figures about the olive and olive oil sector

Structural characteristics of EU farms with olive plantations

A crop typical to the Mediterranean region, olive tree plantations are found in nine EU Member States: Greece, Spain, France, Croatia, Italy, Cyprus, Malta, Portugal and Slovenia. These countries total slightly under 5 million hectares of olive plantations, more than half of which are in Spain, and most of which are devoted to growing olives for olive oil production (only in Greece do table olives account for more than 10 % of olive groves).[1]

Figure 1 – Land use in EU farms specialised in olive plantations in 2013

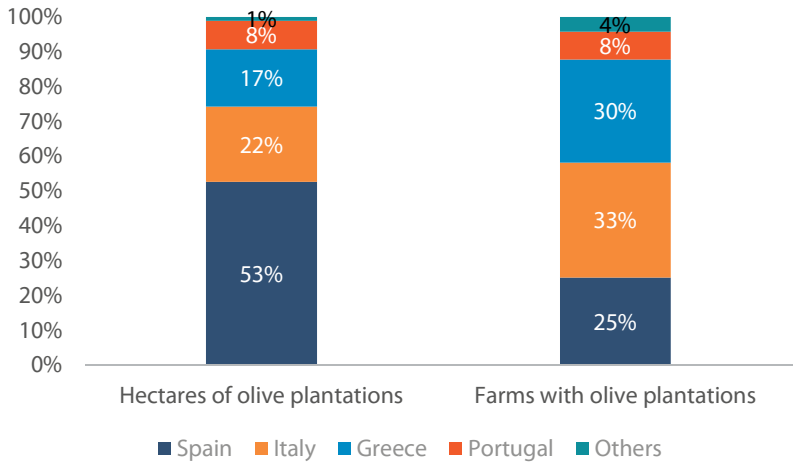


Data source: Eurostat, Farm structure survey, 2013.

Farms specialised in olive plantations[2] have most of their land covered by olive trees, with the remaining agricultural area used for cereals, permanent crops other than olives (such as fruit trees or vineyards), other crops, or fallow land (see Figure 1).

According to Eurostat's data, there were about 1 509 000 farms with olive plantations in 2013.[3] Among producing countries, Spain, Italy, Greece and Portugal account for the vast majority in terms of both hectares and farms with olive groves, as shown in Figure 2. Spanish farms have the largest average olive plantation size, reaching 5.8 hectares per farm in 2013, followed by Portugal with 2.8 hectares. All other countries have average plantation sizes smaller than 2 hectares per farm.

Figure 2 – Distribution of olive plantations in 2013



Data source: Eurostat, Farm structure survey, 2013.

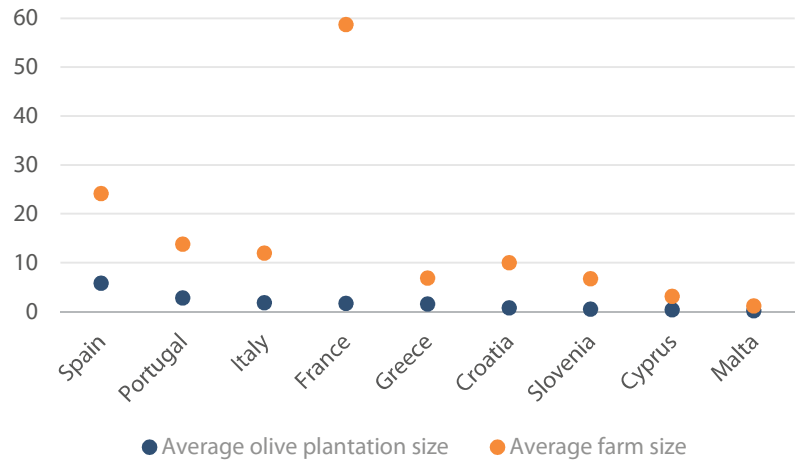
These averages obviously result from widely varying plantation sizes. A closer look at the data shows that in Spain and Portugal more than 40 % of all olive-producing farms have more than 20 hectares of olive plantations, while those countries' olive plantations are of an average size of 52 and 67 hectares respectively. In the rest of the producing countries, however, more than 90 % of farms have fewer than 5 hectares of olive plantations.

This difference is also visible in the structure of the labour force across countries: while in Spain 17 % of people working regularly on farms specialised in olive production are non-family members, in the other producing countries this share stands at only 1 %, meaning that where small-size farms prevail, the latter tend to be smaller productive

units where family work is the sole or predominant form of work, as opposed to larger farms with salaried workers.

In 2013, regular farm labour in farms specialising in olive production totalled about 1 300 000 people, 18 % of the overall 7 400 000 regular farm labourers in the nine producing countries. This share varies from 35 % in Spain to less than 1 % in France, Malta and Slovenia.[4]

Figure 3 – Average olive plantation size versus average farm size in 2013



Finally, this sector has on average smaller farms than other agricultural activities, with a difference between the overall average farm size and the average olive plantation size that totalled 57 hectares in France, 18 hectares in Spain and about 10 hectares in Portugal, Italy and Croatia in 2013, as shown in Figure 3.

Economic results in EU farms specialised in olive oil production

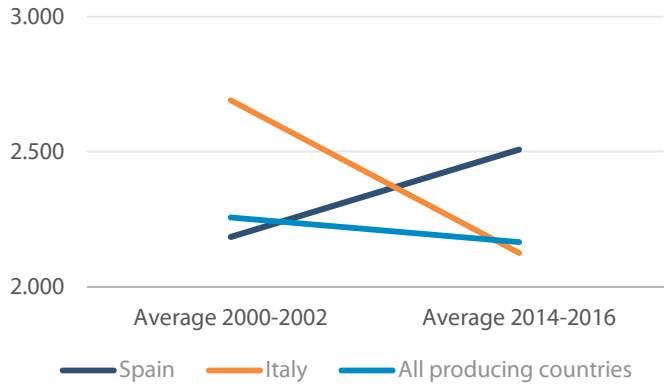
Previous figures help to describe a sector where many small-size traditional olive orchards – even ancient olive groves with monumental olive trees[5] – cohabit with a few large and modern olive plantations that use irrigation, machinery (such as shakers), new plant varieties or intensive production methods to produce more at lower cost. A Commission report on olive oil specialist farm income in the three main producing Member States – Spain, Italy and Greece – reveals wide income discrepancies among these farms, mostly linked to the size of their olive groves and the productivity levels that they can reach, labour being a major cost item. As a result, while many farms in lower income classes make less than €5 000 a year per family work unit (and possibly carry out other gainful activities on the farm related to tourism, landscape, direct sales, etc., to complement their agricultural income and help to increase profit), a few olive oil producers in higher income groups can produce more than €30 000 a year per family work unit, with productivity (in terms of quantity produced per farm and per work unit) much higher than in smaller farms and considerably lower production costs per tonne. A study on olive oil production costs commissioned by the International Olive Council (IOC) arrives at the same findings, noting that the cost of obtaining one kilogram of olive oil from olive plantations in traditional systems (rain-fed on steep slopes) is noticeably higher than in intensive and irrigated cultivation systems; indeed, these latter have higher production costs per hectare but their higher production levels make the unit costs lower and thus the activity more profitable.

Quantity and value of EU olive and olive oil production

Olives and olive oil account for a major share of producing countries' agricultural output. Especially in Greece and Spain where it represented more than 10 % of agricultural output and more than 15 % of crop output in 2016, as compared with cereals which represented 9 % and 13 % respectively.[6] With slightly less significant shares, the output value of olives and olive oil is also important in Portugal, Italy, Cyprus and Croatia.

Average annual olive yield is between 2 000 and 2 500 tonnes per hectare. This variation is the result of factors affecting harvested production, such as the alternation of good and poor harvests or climate conditions, not to mention different cultivation systems. Spain and Italy have higher yields than the other producing countries. A trend analysis shows increased yields in Spain (and Portugal) and decreased yields in Italy (and other producing countries), as shown in Figure 4.

Figure 4 – Average annual olive yields in the EU



Data source: Eurostat, Crops statistics, 2000-2002 and 2014-2016.

According to Eurostat's data, EU olive production reached 10 908 000 tonnes[7] and an output value of €2 255 million[8] in 2016. The quantity of olive oil produced in the EU in the marketing year 2016-2017 – as per Member States' declarations to the Commission – adds up to more than 1 740 000 tonnes, of which 74 % produced in Spain and 22 % divided almost equally between Greece and Italy. The value of olive oil production reached almost €5 000 million in recent years, about 80 % of which was recorded in Spain and Italy; lower production values were measured in 2013 in Greece and Spain and in both 2013 and 2014 in Italy. This level of production is lower than in the previous year (above all for Italy, with a decrease of more than -60 %) but appears in line with the cyclical production levels registered in the EU in recent years, as shown in a Commission dashboard for the olive oil sector. However, as pointed out in the Commission's short-term agricultural outlook of July 2017, the likelihood of maintaining or even increasing average production levels is strongly dependent on weather conditions, as extreme events, such as continuing drought conditions and heat waves throughout southern Europe, are threatening the productive potential of the next harvest.

EU olive and olive oil prices

Together with the obvious balance between supply and demand, other factors influence the selling prices of olives and olive oil: their quality, the organisation of the value chain, consumer preferences and production organisation (e.g. transforming olives into olive oil on site or in mills owned by a farmers' cooperative, or selling olives to big mill operators). According to Eurostat's price statistics for olives and olive oil, selling prices for table olives have increased over the years, ranging from less than €60 per 100 kg in Portugal and Malta to more than €200 in Greece in 2016. Olive oil prices have also increased and vary a lot depending on the oil category, with extra-virgin oil having the higher prices, ranging from more than €300 per 100 litres in Spain, Greece and Portugal, to more than €500 in Italy in 2015, with minor producing countries Croatia and Slovenia registering up to double the price of the main producing countries.[9]

EU international trade in olives and olive oil

The most recent world figures for olive oil and table olives published by the IOC on production, imports, exports and consumption, indicate that EU producing countries account for 70-75 % of world production of olive oil and more than one third for table olives. These countries are also the main consumers, exceeding half of world consumption of olive oil and one quarter for table olives, with Greece ranking first in per-capita consumption of olive oil and Spain for table olives. Although olive oil production

levels ensure EU self-sufficiency, this does not preclude trade with third countries and a leading role for the EU on the international market, with 541 000 tonnes of average yearly exports (two thirds of world's exports) and 121 000 tonnes of average yearly imports (15 % of world's imports) over recent years, according to the above-mentioned IOC world figures. Meanwhile, the EU's share when it comes to table olives stands at 44 % for exports and 16 % for imports. The Commission's recent olive oil trade statistics show that EU exports are directed principally to the USA, but also to Japan, China, Canada, Brazil and Australia, while imports come mostly from Tunisia, but also from Morocco and Syria. The main destinations for imports are Spain and Italy, with the latter also being by far the main destination for intra-EU imports, mostly originating in Spain, as shown in the Commission's olive oil balance sheet.

Qualitative characteristics of EU production of olives and olive oil

All over the Mediterranean region olive trees offer olives that vary in size, colour, oil content, taste and texture. Depending on local habits, climate conditions and the final destination of the production, the olive harvest occurs at different stages of their ripening and by means of more traditional picking methods or mechanical harvest. These factors influence the quality of the product, be it olive oil or cured olives for table consumption.

Organic production is usually associated with high quality products. Although the share of organic over conventional farming is still low, a recent Commission report on organic farming shows that olive groves represented more than one third of all organic permanent crops in 2015 and that they mostly produced olives for olive oil production; also, the number of hectares of organic olive groves have noticeably increased in recent years, especially in Spain and Italy.

One quality-guarantee system in olive production involves the adoption of integrated production protocols, to maintain healthy production over time by managing resources in an economically, environmentally and socially sustainable way, taking into account experience and knowledge of the specific farming activity. An external Commission study on support for farmers' cooperatives shows that in the olive sector these systems are also implemented through producers' cooperatives whose members sign contracts that penalise non-compliance with certified agronomists' instructions.

Like olives, olive oils have different qualitative aspects and characteristics. Legislation defines olive oil characteristics and requirements for its marketing, both for regulatory purposes and to the benefit of producers and consumers (see Box 1). Acidity is one of the parameters that determine the quality of olive oil, with lower acidity level indicating higher quality (e.g., the maximum level of acidity is established at 0.8 % for extra virgin olive oil and at 2.0 % for virgin olive oil).

Box 1 – Oils marketable at retail stage

Olive oils that can be marketed at the retail stage are the following:

– Extra virgin and virgin olive oil, obtained from the fruit of the olive tree solely by mechanical or other physical means;

– Olive oil, obtained by blending refined olive oil and virgin olive oil other than lampante (not fit for consumption as it is, intended for refining or for technical use);

– Olive-pomace oil, obtained by blending refined olive-pomace oil and virgin olive oil other than lampante.

Source: Annex VII, part VIII to Regulation (EU) No 1308/2013

As olive oil is recognised as a quality product and an important element of a healthy diet, maintaining high quality standards is a key factor in increasing consumer confidence in both the EU and third countries. In this respect, EU quality labels showing protected designation of origin (PDO) and protected geographical indication (PGI) have already been registered for roughly 120

different types of olive oil, more than 40 of which are produced in Italy, about 30 each in Spain and Greece, and the remainder in France, Portugal, Slovenia and Croatia.

A Commission economic analysis of the EU olive oil sector and IOC data published in the country profiles show that while in Spain olive oil production is almost equally distributed between extra virgin and virgin olive oil, in Italy it is extra virgin production that prevails, although the share of extra-virgin, virgin or other types of olive oil may change year on year owing in particular to climatic conditions.

The EU policy framework

EU action plan for the olive oil sector

In June 2012, the Commission presented an action plan for the EU olive oil sector to the Council's agriculture configuration, with the objective of strengthening the sector's competitiveness, taking advantage of the widely-recognised image of olive oil as a quality product.[10] The action plan indicated the following six areas of action, which are now mostly covered by various instruments under the common agricultural policy (CAP) 2014-2020:

- quality and control, with measures relating to the safeguard of olive oil quality by improving controls, methods of analysis and marketing standards;
- action to restructure the sector, also involving rural development (RD) measures;
- industry structure, with action aiming to reinforce producers' organisations (also using RD support), which are widespread in some but not all producing countries, such as Spain and Greece, but are generally too small compared with other actors in the food chain;
- promotion, to improve the image of the product, stimulate its consumption and conquer markets in third countries, mostly taking advantage of the revised EU promotion policy but also finding synergies between different measures, such as those financed by the EU and the IOC;
- support for the IOC and the international agreement on olive oil and table olives;
- competition with third countries, where the EU should support respect for the quality parameters established within the IOC and oppose any measure by third countries that could present a technical barrier to trade.

Single common market organisation

The olive oil and table olive market is covered by Regulation (EU) No 1308/2013 (the CMO Regulation). Its single common market organisation (CMO) provisions regulate EU agricultural markets and provide policy tools to help improve their functioning. In addition to the general provisions, rules on the areas listed below can apply specifically to the olive and olive oil sector for the products listed in Annex 1, Part VII to the regulation:

- aid for private storage (Articles 17 and 18), which may be granted to private operators for product storage in case of difficult market situation;
- aid in the olive oil and table olive sector (Articles 29 to 31), implemented through the financing of three-year work programmes drawn up by recognised producers' organisations for action in areas such as marketing, traceability and improvement of environmental impact, competitiveness and production quality in the sector

(the detailed list of measures eligible for EU funding is set out in Article 3 of Commission Delegated Regulation (EU) No 611/2014);

- marketing standards (Article 75), set out in Commission Implementing Regulation (EU) No 29/2012, which covers issues such as labelling rules and packaging capacity, plus the monitoring of the application of the rules by a watchdog in each Member State;[11]
- definitions, designations and sales description (Article 78), defined in Commission Regulation (EEC) No 2568/91 and its successive amendments, on the characteristics of olive oil and olive-residue oil and on the relevant methods of analysis;
- recognition of producers' organisations (Articles 159) and interbranch organisations (Article 162) and rules on contractual negotiations by producers' organisations on behalf of its members (Article 169);
- import and export licences (Article 176) that can be issued to applicants by EU Member States and tariff quotas (Article 184) that can be opened by the Commission, such as in the case of the import quota for Tunisian olive oil for release into free circulation in the EU at a zero duty rate of an annual amount of 56 700 tonnes (see Commission Regulation (EC) No 1918/2006), plus an additional temporary amount of 35 000 tonnes for 2016 and 2017 to support Tunisian economy following the terrorist attack of June 2015 (see Commission Implementing Regulation (EU) 2016/605).

Direct payments – voluntary coupled support

Direct payments are a form of income support granted to EU farmers on a per-hectare basis, independently of the production of a specific product. In addition to this basic support scheme, Member States may grant voluntary coupled support linked to production in the olive oil sector that may be undergoing difficulties, under conditions laid down in Article 52 of Regulation (EU) No 1307/2013. Only Italy has opted for this voluntary scheme, with an overall amount of more than €400 million for the years 2015 to 2020.

Rural development measures

Several measures introduced by Regulation (EU) No 1305/2013 on support for rural development can assist the olive and olive oil sector, whether directly targeting this farming activity or by addressing general agricultural and rural issues closely related to it. Among the first type of measures, the possibility for the Member State to include thematic sub-programmes (Article 7) in rural development programmes (to address the needs of areas of particular importance, or of agricultural sectors that have a strong impact on the development of rural areas) is a new feature of the rural development policy framework for 2014-2020 and has been used for the olive oil sector in the rural development programme of Andalusia (Spain). Other producing regions have addressed the needs of the sector by shaping their measures under the general rural development priorities. This includes planned support for investment for the prevention of damage caused to olive trees by *Xylella fastidiosa* (see Box 2, next page) in the rural development programme of Puglia (Italy), as part of the measures under Priority 3 on promotion of food chain organisation, animal welfare and risk management in agriculture.

Olive and olive oil farms can also benefit from other rural development measures that have a broader scope but address important issues for the sector. In addition to strategic

support for investment in assets, innovation and business development, it is also worth mentioning support granted to participate in quality or certification schemes for agricultural products and foodstuffs (Article 16), to facilitate the setting up of producers' groups (Article 27), to carry out agri-environment-climate commitments on agricultural land (Article 28), to convert to or maintain organic farming practices and methods (Article 29), and to make financial contributions to farmers for insurance premiums and mutual funds with the risk management tools (Articles 36 to 39).

Promotion of EU farm products

Olives and olive oil are eligible for promotion initiatives in the EU and third countries through the promotion policy laid down in Regulation (EU) No 1144/2014. The Commission defines the strategic priorities and available budget for promotion initiatives in an annual work programme and publishes calls for proposals for its implementation. The overall co-financing budget for 2016 was €111 million, with table olives and olive oil being part of several campaigns; the 2017 budget amounts to €133 million, with plans for this figure to increase in the coming years.

Disease control in olive tree

Council Directive 2000/29/EC provides the basis for protecting EU plant health from the introduction or spread of harmful organisms within Union territory. When such harmful pests and diseases are detected, further ad hoc legislation intervenes to regulate control and emergency measures.[12] One recent example are EU emergency measures set by Commission Implementing Decision (EU) 2015/789 and successive amendments, following the outbreak of *Xylella fastidiosa* (see Box 2) in Southern Italy, where since 2013 the disease has been attacking olive groves in Puglia, the biggest producer of olive oil among Italian regions. The emergency measures include action to combat the disease in the so-called demarcated areas (i.e. infected and buffer zones), by removal of infected plants or containment of the bacterium by other means when removal is impossible, to prevent its further spread and to avoid further introduction from infected third countries. Furthermore, with Commission Implementing Decision (EU) 2015/2417, Member States were requested to set up contingency action plans in the event of confirmed or suspected presence of the bacterium and campaigns to raise the awareness of the general public, travellers, professionals and international transport operators regarding the threat for EU territory.

Box 2 - *Xylella fastidiosa*

Xylella fastidiosa is a plant bacterium that causes various diseases and can lead to plant death. In addition to the olive tree, nearly 300 other plants species are vulnerable to the bacterium, which lives in the plant tissue and is spread by bugs.

In October 2013, *Xylella fastidiosa* was reported for the first time on Union territory by Italian authorities, in relation to olive groves in the Puglia region. The high risk of the bacterium spreading across Union territory in potential host plants has led the EU to take monitoring and emergency measures.

Source: European Commission website

In 2015, the French authorities reported an outbreak of *Xylella* in France, where the bacterium attacked ornamental plants in the regions of Corsica and Provence-Alpes-Côte d'Azur, requesting the implementation of surveillance and containment measures. At the end of 2016, the Spanish authorities reported the presence of *Xylella* in Spain, affecting a number of fruit and ornamental plants; the whole territory of the Baleares islands was declared a demarcated area in January 2017. However, the most critical situation remains that in the region of Puglia, where after a difficult start, the implementation of emergency measures has led to the eradication of many infected olive trees and also healthy ones within one hundred metres of the infected plants. To compensate olive producers for the damage and costs related to these measures, resolution 240 of 13 June 2017 of the

Regional Council of Puglia establishes an aid scheme for agricultural holdings that have had to destroy *Xylella*-infected plants following the removal order.

Compensation to farmers for the loss of revenue as a result of the eradication measures, as well as stronger control measures to prevent the spread of the bacteria within the EU and avoid entrance of infected plants into the EU, were also requested in the European Parliament resolution 2015/2652(RSP) on the outbreak of *Xylella fastidiosa* affecting olive trees. The resolution called upon the Commission to improve scientific knowledge on the disease. In this respect, an ongoing multidisciplinary research project financed by the EU framework programme for research and innovation, Horizon 2020, (for a total cost of €7 064 125, of which the EU contribution is €6 903 000), is aimed at improving prevention, early detection and control of *Xylella fastidiosa*.

Global setting: the International Olive Council

The International Olive Council (IOC) is an intergovernmental organisation originally founded in 1959 under the auspices of the United Nations as the International Olive Oil Council (IOOC), with headquarters in Madrid (Spain). Membership is open to governments of states or international organisations with responsibilities in the negotiation of international trade agreements; this is why the EU (rather than individual EU countries) is an IOC member, together with all the world's main olive and olive oil producing countries.

The functioning of the IOC (as it is called as from 2006) is based on an international agreement that establishes it as the body empowered to perform the functions necessary to achieve the agreement's objectives. Its members contribute to financing the IOC structure, composed of the Chair and the Executive Secretariat, and all the activities aiming to contribute to the sustainable and responsible development of olive growing. Among other activities, the IOC encourages the development of international trade by working and providing a forum for discussion and cooperation on standardisation and on research and technology transfer. As for standardisation, the IOC sets trade standards for olive and olive pomace oils and for table olives; these standards define names, definitions and requirements for the various types of product, by which IOC members – including the EU – are bound.

Table 1 – 6th IOC agreement signatories

Participant	Signature
Algeria	25 October 2016
Argentina	23 December 2016
European Union	18 November 2016
Iran (Islamic Republic of)	30 December 2016
Israel	29 December 2016
Jordan	22 December 2016
Lebanon	2 December 2016
Libya	29 December 2016
Montenegro	23 December 2016
Morocco	27 July 2016
State of Palestine	9 April 2017, accession
Tunisia	23 September 2016
Turkey	14 September 2016
Uruguay	18 October 2016

Source: United Nations Treaty Collection.

The International Agreement on Olive Oil and Table Olives, 2015 is the sixth agreement concluded in almost 60 years of existence of this international framework for regulating the olive and olive oil sector. Concluded in June 2015 and signed so far by 13 parties, plus the newly acceded State of Palestine following its ratification of the agreement in April 2017 (see Table 1, above), the agreement entered provisionally into force on 1 January 2017, while ratifications continue according to members' legislative procedures. The agreement is open to other participants and will remain in force until 31 December 2026. A Commission news release published after the conclusion of the negotiations presents the new agreement as the basis for a more efficient organisation

of the international olive market, with positive changes to the functioning of the IOC and with a view to paying more attention to the involvement of importing countries.

Challenges and prospects

Main challenges faced by the sector

Grown in the Mediterranean area since ancient times, olive groves have shaped the rural landscape of many EU regions. Beyond their productive value, they can also constitute a rural tourist attraction with the presence of ancient olive trees or outstanding olive plantation landscapes. Their main product, olive oil, is widely recognised as being an icon of Mediterranean cuisine and as being healthy. Consumption has therefore increased in non-producing countries all over the world and the EU is the world's main exporter, as well as being the main consumer market. Nevertheless, the sector is facing challenges that need to be addressed if it is to avoid disruptive effects on its future development.

A primary challenge, also common to other agricultural activities, is the pace of farm structural development into a more efficient and modern production system. This is often linked to the idea of increasing farm size and introducing mechanisation in the production processes. This evolution has taken place in parts of Spain and Portugal, while in general production systems remain very traditional and cohabitation between large and modern and small and traditional productive units is typical. Nevertheless, a Spanish research article on the sustainability of olive tree cultivation notes that transforming traditional olive orchards into more intensive olive plantations is not a one-size fits all solution. This can be owing to the characteristics of the producing areas (e.g. a fragile environment or significant slope), production methods (e.g. traditional harvesting is preferred to avoid damaging olives), or the trees themselves (e.g. being a perennial permanent crop causes rigidity in adaptation to new productive schemes). This is why researchers suggest that the sustainability of olive production should not rely on production intensification in bigger farms only, but more on innovative harvesting solutions, new cultivars or better pest management, in order to grow olive orchards that are more profitable – and less exposed to market volatility – in smaller productive units too.

The olive oil market can fluctuate for several reasons, such as the cyclical alternation of good and poor harvests or the timespan before new plantations become fully productive. Other factors are less predictable and potentially more disruptive, such as extreme weather conditions or a plant disease outbreak. These elements create a highly volatile market, which means that producers are confronted with unstable prices and revenues and thus reduced capacity of investment plans for the upkeep of their olive plantations. A recent EPRS briefing analyses the risk-management instruments available for farmers under the CAP. The current debate on the future of EU agriculture policy is meanwhile focussing on their development as tools to address the challenges linked to volatility.

Another area of concern relates to marketing standards and trade. To prevent loss of consumer trust in the image of olive oil as a high quality product, a continuous effort is needed at EU and national level to set and implement appropriate rules and measures against food fraud. Indeed, olive oils are subject to regular monitoring and control to prevent fraud, especially in the category of extra virgin olive oils. To give an example, in its 2016 activity report the Italian watchdog for foodstuffs and agricultural products reports almost 7 000 controls on oil (second only to wine products), resulting in 193 seized products, for a total seizures value of more than € 1 150 000. These seizures are the consequence of infringements such as olive oil being falsely classified as extra virgin, organic or 100 % Italian, being obtained by mixing oils produced elsewhere,

belonging to the lampante category, carrying misleading designation of origin labels, or being subject to irregular recordkeeping. The EU also plays an important role in defending its products on the international market, in the framework of the IOC, for issues linked to the sector's products, and of World Trade Organization agreements, in cases of disputes on the application of commercial rules. One recent example is the US authorities' investigation of Spanish olive producers, following alleged dumping practices against US producers, on which a parliamentary question was addressed to the Commission on 14 July 2017.

Economic prospects and innovation

According to the Commission's latest medium-term agricultural outlook, the economic forecasts for the sector up to 2026 point to increased production in Spain (where the Commission's estimates show considerable growth of irrigated olive groves in the coming years) by about 10 %, and a less dynamic trend in Greece (+2 %) and Italy (-1 %). In these three main producing countries consumption trends should experience a certain stabilisation or minor decrease, largely offset by increased consumption in non-producing countries inside and outside the EU. This is the trend that has characterised recent years, according to the Commission's short-term agricultural outlook of July 2017. As regards international trade, the outlook for 2026 is a considerable reinforcement of the EU's leading role in exports (+45 % over the period) and a possible increase in imports from non-EU Mediterranean countries.

These predictions could be proved correct, especially if producers satisfy EU and world demand by offering the high quality expected from their products.[13] In this respect, the EU is financing research and innovation work into new techniques so as to achieve more efficient and sustainable growing systems, better treatment of diseases and pests such as olive fruit fly, etc. By way of example of the many EU-funded research projects, it is worth mentioning a 2010 Commission report that describes EU projects focussing on cultivation practices designed to improve environmental performance in the olive oil sector. Earlier still, an olive growers' demand-driven research project initiated in 1979 resulted in large-scale adoption of integrated pest management innovation in Italian olive groves. More recently, besides the above-mentioned multidisciplinary research project on prevention, early detection and control of *Xylella* disease, another Horizon 2020 project seeks to improve the way olive oil quality and authenticity is guaranteed, by detecting and preventing fraud. Other projects funded by the rural development programmes meanwhile also address olive sector issues. Take for instance the innovative composting technique developed in a Spanish organic olive oil cooperative, which turns a polluting by-product (olive cake) into green fertiliser, or the innovative filtering prototype for olive oil production developed by an Italian olive oil mill enterprise in partnership with a university, chamber of commerce and private companies.

European Parliament

The Commission negotiated the new IOC agreement between 2013 and 2015 and signed it on behalf of the EU on 28 November 2016 in accordance with Council Decision (EU) 2016/1892. A Commission proposal published on 1 June 2017 proposes that the Council should proceed with the next steps in order to show the EU's consent to be bound by the agreement and empower the Commission to draw up the positions to be adopted in the IOC as regards any amendments to the designations and definitions of oils and table olives, ensuring that these positions are in the interests of the EU, serve its trade policy objectives, and are not contrary to EU or international law. Under the consent procedure,

a Parliament non-legislative enactment is required for the Council to adopt the act. The legislative file 2017/0107(NLE) has been assigned to the Committee on International Trade (INTA), rapporteur Eleonora Forenza (GUE/NGL, Italy), and for opinion to the Committee on Agriculture and Rural Development (AGRI), rapporteur Ivan Jakovčić (ALDE, Croatia).

Further reading

Olive oil sector key sources, EPRS Blog, November 2014.

Endnotes

[1] Data on area, production and yield, extracted and processed from Eurostat's crop statistics in July 2017.

[2] According to the EU typology of agricultural holdings set out in Annex IV to Commission Implementing Regulation (EU) 2015/220, a farm is considered a specialist in olive plantations, if the standard output obtainable from olive plantations is more than two thirds of the farm's total standard output. The standard output of an agricultural product (a hectare of crop or a head of livestock) is the average monetary value of the output potentially obtainable from that product at farm-gate price.

[3] Data on farms with olive plantations, extracted and processed from the Eurostat Farm structure survey in July 2017.

[4] Data on farm labour, extracted and processed from the Eurostat Farm structure survey in July 2017.

[5] One example is the 2 500 to 3 000 year-old monumental olive tree of Vouves, on the Greek island of Crete. There are also many olive groves with centuries-old olive trees.

[6] Data on olives and olive oil production value, extracted and processed from the Eurostat Economic accounts for agriculture in July 2017.

[7] See endnote 1.

[8] See endnote 6.

[9] Data on olives and olive oil prices, extracted from the Eurostat Agricultural price statistics in July 2017. As these statistics are based on voluntary data collection and delivery by the Member States, data for some years or products may be missing.

[10] The action plan was welcomed by COPA-COGECA, which addressed further points in their 2012 proposals on the action plan for the EU olive oil sector, mostly on issues related to quality, promotion, structure of the sector and international competition.

[11] Although for the verification of compliance with the CMO rules a control system is already in place, recently adopted Regulation (EU) 2017/625, repealing current legislation on official controls (Regulation (EC) No 882/2004) as of 14 December 2019, introduces other rules on checks and penalties related to marketing rules in order to tackle fraudulent practices in the EU food industry.

[12] In May 2013, the Commission proposed new EU plant health legislation: Regulation (EU) 2016/2031, voted by the Parliament in October 2016 and repealing Directive 2000/29/EC as of 14 December 2019.

[13] Although of overall minor economic importance, olive-derivate products also include healthcare products and cosmetics.

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