

# Focus on olive oil

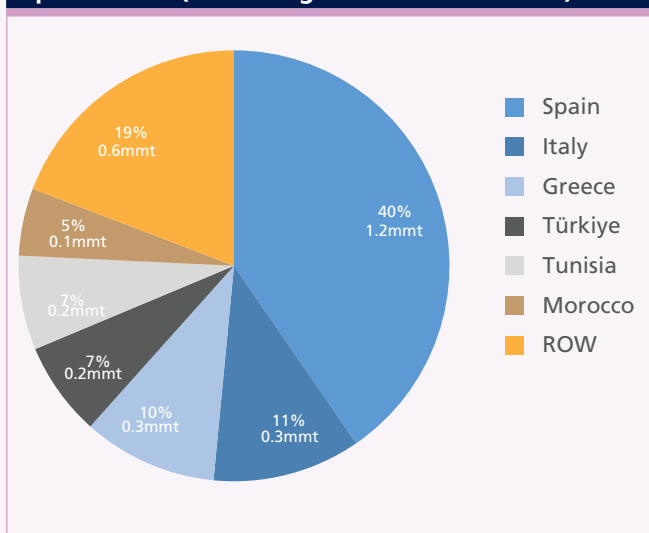
Contributed by:  
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## Global olive oil market at a glance

Olive plantations are primarily concentrated around the Mediterranean basin. High geographical concentration of the plantations, lack of substitutes and the perennial nature of olive trees, amplified by a biological cycle in the production itself make olive harvests rather variable year on year. Usually, years with abundant harvests tend to alternate with less abundant years, even if weather conditions and pest prevalence remain the same.

Spain, the world's leading olive oil producer, accounts on average for about 40.0 percent of global production in volume, followed by Greece and Italy, supplying about 10.0 percent each (Figure 2.13). Other countries along the Mediterranean coast produce less, with Morocco, Tunisia and Türkiye, each representing 5.0–7.0 percent of the world olive oil output.

**Figure 2.13. Share of global olive oil production (on average from 2014 to 2023)**

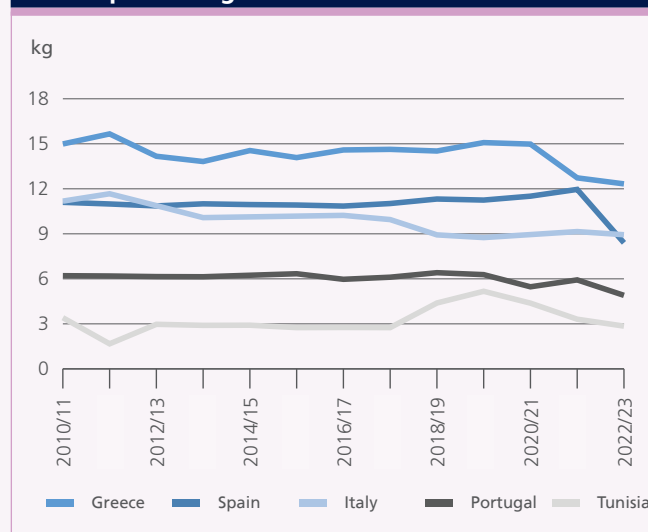


As an integral part of the Mediterranean diet, olive oil is mostly consumed in the main producing countries. According to FAOSTAT data, the per capita availability in Greece appears to be the highest, oscillating at about 14 kg/annum on average (Figure 2.14). Other European countries follow suite, led by Spain, Italy and Portugal. Tunisia is also among the top consumers, albeit below the range of northern Mediterranean countries, with its per capita

availability lingering at around 4 kg annually.

The use of olive oil in the diets outside the Mediterranean basin has gained footing. In the past two decades, globalization and growing incomes impacted consumers' preference for olive oil in many countries. As these countries' natural endowments are not favourable

**Figure 2.14. Per capita olive oil availability in main producing countries**

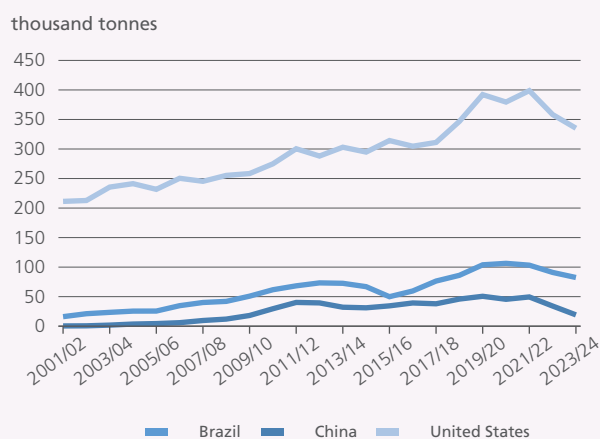


to commercially cultivate olives, rising demand is satisfied by imports. For instance, imports by Brazil, China and the United States of America expanded significantly during the past two decades, albeit often starting from a low base (Figure 2.15). The United States remains as the world's top olive oil importer, absorbing between 29.0 and 36.0 percent of total trade (excluding intra-European Union flows).

## World olive oil supply to recover partially in 2024/25

International olive oil prices increased dramatically since late 2022 and reached historical highs in early 2024. At the wholesale level in Jaén, the leading producing region in Spain, the prices of extra virgin olive oil (cold pressed from the fruit, without chemical or heat treatment) reached nearly EUR 9 000 (USD 9 818)/tonne in January 2024, compared with around EUR 3 350 (USD 3 655)/tonne in early 2022. The prices in Greece and Italy also displayed a similar trend (Figure 2.16). At these levels, prices are almost three times higher than their respective five-year averages from 2018 to 2022.

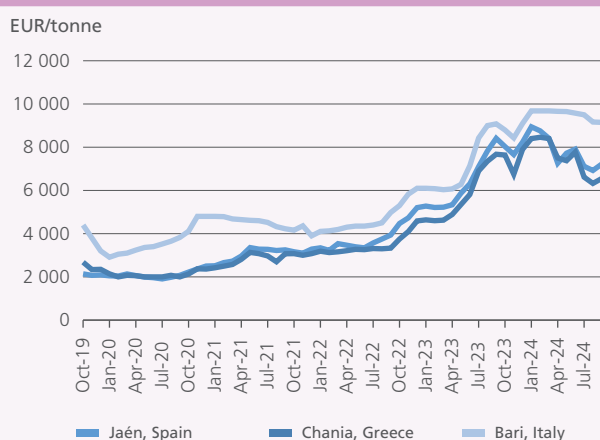
**Figure 2.15. Olive oil imports by selected countries (October/September year)**



Source: Author's own elaboration, based on Global Trade Tracker data

One of the main drivers of such peak prices is severe global supply shortages. In 2022 and 2023, agricultural producers across many parts of Europe suffered from a historical drought amplified by extreme heat waves. High temperatures damaged the blossoms of olive

**Figure 2.16. Extra virgin olive oil prices (wholesale level)**



Source: Author's own elaboration, based on International Olive Council data

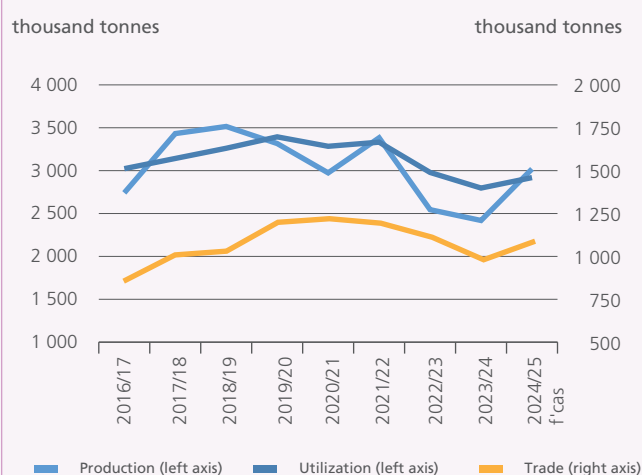
trees and forced the trees to conserve water for core functions instead of producing fruit. This is particularly the case for Spain, where a protracted dry spell and high heat constrained production in its major growing regions, resulting in a nearly 50.0 percent production cut compared with the average output for two consecutive years. Similarly, unfavourable weather conditions also limited output in Italy in 2022 and Greece in 2023.

Looking at the current season, the 2024 harvest commenced in main producing countries in October, and the preliminary forecasts point to a partial recovery

in global production (Figure 2.17). In Spain, beneficial precipitation in spring allowed for the favourable development of olive trees, and the harvest is forecast to recover to nearly 1.3 million tonnes, above the ten-year average level. Meanwhile, among other major olive oil producers, outputs in Greece, Tunisia and Türkiye are also expected to expand year on year, barring uncondusive conditions in the coming months. By contrast, the outlook for Italy is rather subdued. Olive groves in the southern growing regions suffered from lingering dryness and heat earlier in the year, and olive oil production is expected to decline by more than 30.0 percent from the previous season to a multi-year low.

In the meantime, world olive oil utilization is forecast

**Figure 2.17. World olive oil production, utilization and trade**



to recover moderately. Despite an expected sizeable rebound in global production, the year-on-year growth in global supply should be limited, due to exceptionally low carry-over stocks from the preceding season. This, coupled with still elevated international prices that continue to contain demand expansion, is anticipated to result in a modest growth in global consumption. World trade in olive oil is also expected to rebound, largely underpinned by improving export availabilities in leading producing countries. Yet, at nearly 1.1 million tonnes, international transactions could remain slightly below the five-year average level.

## Olive oil sector: importance and challenges

The olive oil sector, which produces goods of relatively high economic value compared to other edible oils and staples, holds a nonnegligible position in the agricultural sector. According to FAOSTAT estimates, the gross value

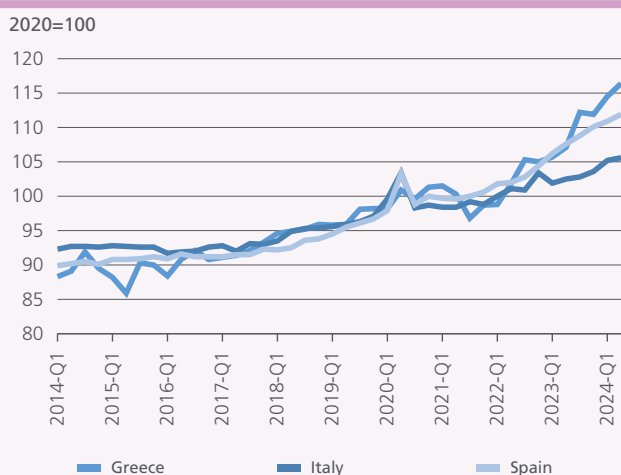
produced by the sector on average accounted for as much as 40.0 percent of the total values of agricultural production. Among the other major producing countries, the contribution of the olive industry to the agricultural sector ranged from 3.0 to 14.0 percent.

Although its contribution to the national economy varies from one country to another, the olive oil sector plays a key role in generating revenues and providing employment opportunities, especially considering the high labour requirements for the main agricultural operations. Reportedly, in Morocco, the olive sector accounted for 13.0 percent of all workdays in agriculture in 2021<sup>1</sup>. In addition, olive oil exports contribute to the foreign exchange earnings of major producing countries, positively impacting the trade balance.

The sector is not free of challenges. First of all, like many other sectors, the olive oil industry is facing rising production cost. Different from row crops that are planted in flat fields, olive trees are often grown on hills, and therefore much of the production costs stems from harvesting and pruning activities, which are rather labour-intensive and typically carried out manually. While specific data for the olive oil sector is admittedly difficult to find, the labour cost index from Eurostat could be a good proxy (Figure 2.18). The costs are rising across the producing countries, even with an accelerating tendency due to mounting inflation pressure, particularly in 2022 and 2023. Additionally, higher prices of energies and fertilizers add to the pressure.

Second, olive trees, although remarkably resilient

**Figure 2.18. Labour cost index in selected countries (seasonally adjusted, 2020=100)**



Source: Author's own elaboration, based on Eurostat data

<sup>1</sup> Fried, H., Dias Pereira, L. & Santos, N. 2022. Expanding Morocco's olive oil market – The role of consumers and industry response. Investment brief. Rome, FAO. <https://openknowledge.fao.org/handle/20.500.14283/cc1154en>

allowing them to survive many centuries, do react to climate conditions. Climate change can lead to unpredictable weather patterns, affecting olive yields, as observed in the past two consecutive seasons in Spain. Changes in temperature and rainfall, as well as extreme weather events impact production, leading to increased requirement for irrigation and other measures to mitigate climate-related challenges. Water scarcity, whether due to drought conditions or competition for water resources, can necessitate increased irrigation efforts, which will incur additional production costs.

Finally, olive production is also prone to damages from various pests and diseases. Around a decade ago, the bacterium *Xylella fastidiosa* spread out rapidly across Puglia, one of the major producing regions in southern Italy, and resulted in considerable production losses. The disease continues to be a threat to many olive groves in Europe. Moreover, pests such as olive fruit flies also lead to reduced outputs. Controlling them requires the use of pesticides and other management practices, and the costs can escalate if new or more resilient pests emerge.

To better overcome climate-related challenges, producers will possibly have to adapt strategies that likely involve sustainable agronomic practices, including water and soil management. Production support by governments to olive growers should also be considered, such as various insurance schemes and measures to control the spread of diseases, especially in a year when outputs are heavily affected by adverse weather conditions, pests or diseases. In addition, there might be opportunities in further quality improvements. Regularly monitoring and testing olive oil for quality parameters and implementing robust quality control measures could help ensure that high-quality oil reaches the market, and therefore enhancing consumers' preferences in olive oil.

On the demand side, while consumers in many parts of the world already perceive olive oil as a healthy source of fat with positive nutritional value, the benefits of consuming olive oil may not necessarily be recognized everywhere. Therefore, educational campaigns and product promotion at the retail level might be considered to raise consumer awareness. These campaigns could also help major producers to capture emerging markets. Considering that the per capita consumption is far lower than in the major producing countries in the Mediterranean basin, there is great potential for expansion in some developing economies with growing incomes.

Lastly, systematic research benefitting the olive oil sector would also be very helpful. Studies in all aspects mentioned above, including agronomic practices,

production cost management, quality improvement, marketing strategies and so forth, could all positively

contribute to better economic viability of the sector.