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OLIVE OIL

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INTRODUCTION

The information in this document is arranged in three parts:

- the "analysis" part describes the market situation and the mechanisms of the market organization in the product;

- the "statistics" part gives most of the tables appearing for the product in the annual report on the agricultural situation in the European Union;

- the Council decisions on the agricultural prices provide a vital illustration of the Community's policy in this sector.

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DESCRIPTION OF THE MECHANISMS OF THE COMMON MARKET ORGANIZATION*

The olive oil market organization came into operation on 10 November 1966. The basic regulation is Regulation No 136/66/EEC, as last amended by Regulation (EC) No 3290/94. It covers the following products: olives, olive oil, whether crude or refined, and olive residues.

The marketing year runs from 1 November to 31 October.

Expenditure on olive oil accounted for 5.5% of total EAGGF Guarantee spending in 1994.

1. Economic background

Community production in a normal year accounts for about 80% of world production. The estimate for 1994/95 is about 1.1 million t.

To make olive oil more competitive, a system of consumption aid was introduced with effect from 1 April 1979. The aid applications for 1994/95 related to an estimated total of about 1 220 000 t.

The Community is self-sufficient in olive oil. However, 46 000 t are imported from Tunisia under a cooperation agreement. Community exports to non-member countries will amount to about 86 000 t in 1994/95.

2. Operation of the market

2.1. Price arrangements

Each year the following types of price are fixed for olive oil:

(a) The production target price: This is the price considered desirable with the aim of providing a fair income for producers, having regard to the need to maintain the volume of Community production.

(b) The intervention price: This is the price at which the intervention agencies have to buy the quantities of standard-quality olive oil offered by producers.

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* Translated from *Avant-projet de budget général des Communautés européennes pour l'exercice 1996.*

(c) The representative market price: This is fixed at the production target price level less the production aid and the consumption aid.

(d) The threshold price: This is fixed at the production target price level less the production aid and a lump sum representing carriage and unloading costs of products from third countries[1].

2.2. Specific market instruments

2.2.1. Import and export arrangements

Where the cif price of olive oil imported from non-member countries is less than the threshold price, an import levy equal to the difference between the two prices is charged[1]. Whenever offers recorded on the world market are not such as to give a proper indication of the real market trend, the levy can be fixed by tendering procedure.

A refund is granted on exports to make up the difference between the Community market price and the price at which the world market can absorb the quantities of olive oil available for export. Refunds may also be fixed by tender.

2.2.2. Storage

Community olive oil is bought in at the intervention price by the intervention agencies in the last four months of the marketing year. Specific intervention measures can, however, be taken before this period, if the market in certain regions of the Union is seriously disturbed. It may be decided that recognized producer groups will be allowed to conclude storage contracts for the oil they market, when the market price is close to the intervention price.

2.2.3. Production aid

This is fixed by the Council. Its purpose is to help producers attain a fair income. The maximum quantity for which aid is paid at the full amount is set at 1 350 000 t for the Community of Fifteen. The aid is reduced proportionately if that quantity is exceeded. This reduction has also been applied to the intervention price, within the limit of 3%.

The following are eligible:

- olive-growers who produce on average at least 500 kg of oil a year on the basis of the quantity of oil actually produced;

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1 The threshold price has been abolished with effect from the 1995/96 marketing year.

- other olive-growers, on the basis of the number and production potential of the olive trees they cultivate, and of their yields, at a standard rate, on condition that the olives grown have actually been crushed. Small producers are eligible for additional aid and are not subject to the stabilizer mechanism in respect of production aid.

A certain percentage fixed by the Council is deducted from the aid, to finance the establishment and updating of a register of olive cultivation in each of the producer Member States pursuant to Regulations (EEC) Nos 154/75 and 2159/92.

2.2.4. Production refunds

These are granted to facilitate the sale of olive oil to the canning industry.

Trends of appropriations*

(ECU)

Article	Heading	Appropriations 1995	Appropriations 1996
B1-120	Refunds on olive oil	64 000 000	39 000 000
B1-121	Production aid and schemes related to production of olive oil	580 000 000	1 523 000 000
B1-122	Consumption aid and schemes related to consumption of olive oil	295 000 000	164 000 000
B1-123	Storage measures for olive oil	- 91 000 000	p.m.
B1-124	Other intervention for olive oil	28 000 000	28 000 000
TOTAL OF CHAPTER B1-12 (Olive oil)		876 000 000	1 754 000 000

* For 1995, amounts refer to approved appropriations; for 1996, requested appropriations.

THE SITUATION OF THE MARKETS*

Average world production is some 1 800 000 tonnes, of which 80% comes from the European Union (around 1 450 000 tonnes), the other principal producers being Tunisia (125 000 tonnes), Turkey (75 000 tonnes), Syria (57 000 tonnes) and Morocco (37 000 tonnes). Production varies greatly from one year to another, but the world market fluctuates as a direct result of the Community market.

Estimated Community production for 1994/95 is around 1 408 000 tonnes, as compared with 1 491 054 tonnes in 1993/94. There is little change in the surface area used: available data indicates that it totals 4.9 million hectares, or around 66% of world oil growing area and 3.3% of the utilized agricultural area in the European Union. The total number of olive trees, cultivated and uncultivated, in the European Union is, according to some estimates, around 450 million. Around two million farms are involved in olive growing.

In 1993/94 Community consumption was around 1 350 000 tonnes (77% of world consumption). The most recent forecasts indicate that consumption in 1994/95 should be lower than in preceding years, particularly because of the sharp rise in prices. Olive oil packaged in quantities of less than 5 kg accounts for the bulk of consumption (more than 90% of the total), particularly because of the influence of the consumption aid scheme introduced in 1979. At the beginning of the 1994/95 marketing year, intervention stocks totalled 111 000 tonnes; at the end of the marketing year they were around 24 000 tonnes.

Greece and Spain are the main suppliers, and Italy, although an exporting producer, remains the principal purchaser. During 1994/95 imports reached the exceptional level of 60 000 tonnes. Exports for the same marketing year reached around 70 000 tonnes, down on the previous year's 100 000 tonnes.

The Community support scheme has, since 1987/88, included a budget stabiliser with a maximum guaranteed quantity (MGQ) of 1.35 million tonnes. When production exceeds that quantity, possibly topped up by the amount carried over from the previous marketing year, production aid (paid to olive growers) is reduced proportionally. The MGQ was exceeded in 1993/94 which led to a reduction in aid. Forecasts suggest that the MGQ will probably also be exceeded for the 1994/95 marketing year.

Consumption seems to have been less influenced than in the past by competition with the prices of other vegetable oils. It seems to have been more sensitive to variations in olive oil prices, the increase in consumer income and efforts to improve quality and promote consumption. For these reasons and in order to achieve good management of the consumption aid scheme (aid paid to industry), the Council decided to amend the distribution of aid. From 1994/95, consumption aid was reduced from 39.58 to 10 "old" ecus/kg and production aid increased correspondingly from ECU 88.18 to 117.76/kg.

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* Extract from *The agricultural situation in the European Union. 1995 report.*

Olive oil production in the European Union

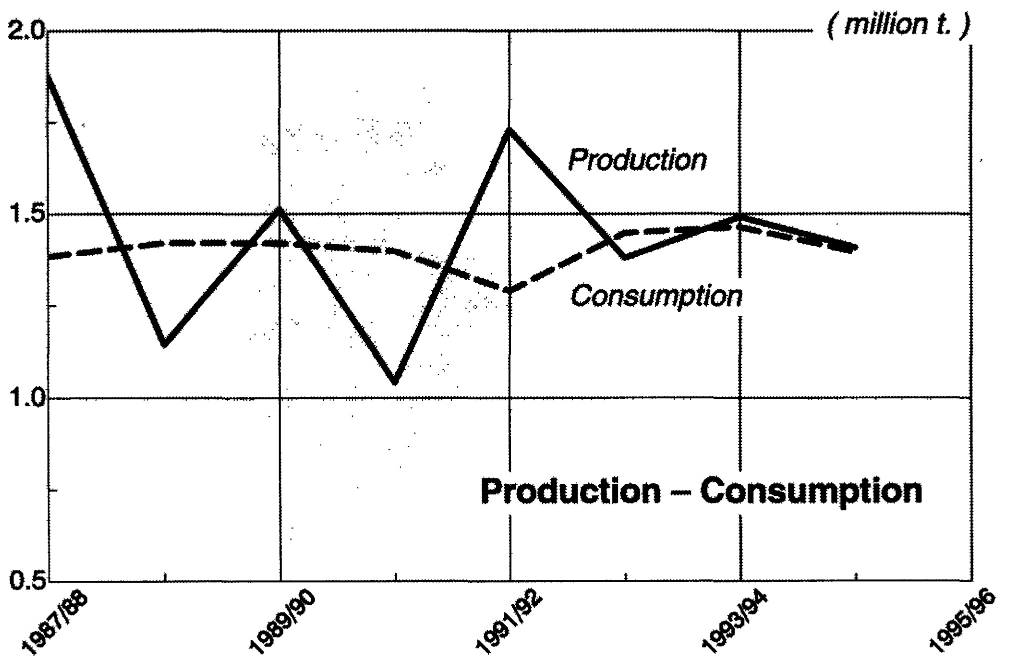
('000 tonnes)

Country	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95 (forecast)
Ellada	246.4	321.7	334.9	171.0	237.6	430.1	314.4	323.2	464.4
Espana	592	770	406.5	700	702.0	610.0	636.0	594.0	520.0
France	1.5	3	1.4	2.0	2.0	3.4	1.8	2.4	386.4
Italia	383	742.5	437.1	585.0	148.0	650.0	410.0	550.0	34.6
Portugal	44.8	38	28	20.0	37.8	35.0	17.1	27.5	2.6
TOTAL	1 204.7	1 875.2	1 143.2	1 512.3	1 041.0	1 728.5	1 379.3	1 491.1	1 408.0

Areas planted with olive trees in the European Union and number of trees

Country	Hectares	Number of trees (millions)
Ellada	838 000	122
Espana	1 935 000	177
France	40 000	3
Italia	1 372 000	126
Portugal	727 000	32
TOTAL	4 912 000	460

Olive oil



Source: European Commission, DG for Agriculture.

COUNCIL PRICE DECISIONS

The Council decided that the target price for olive oil be kept at the 1994/95 level.

In the light of the market trend for olive oil, and the partial but substantial transfer of consumption aid to production aid carried out during previous marketing years, particularly 1994/95, the Council decided to maintain these aids at the same level.

In Spain and Portugal the amount of production aid will be adjusted one last time in accordance with the alignment rules in force in order to reach the level of aid in the rest of the Union, thereby bringing to an end a lengthy transitional period.

The GATT agreements enter into force in the olive-oil sector in 1995/96. The threshold price, which has been rendered inoperative, therefore disappears. However, the intervention price and the representative market price for 1995/96 are fixed at the same level as in 1994/95.

The amounts withheld on the production aid (for schemes to improve quality and contributions towards the financing of the activity of trade organizations), which have been amended substantially in the past, particularly in the light of adjustments of the aids, remain unchanged.

The Council decisions for 1995/96 are set out in the following table. For the purposes of comparison, the table also shows the information for the 1993/94 and 1994/95 marketing years.

The Commission intends to review the olive oil regime in the light of experience since the last review in 1990 and of developments in policy for other sectors. In that context it will address, in particular, the flat-rate system by which production aid is paid to small producers and the per-tonne system by which it is paid to large producers. Before completing this review, however, it wishes to study the effect of the major change in the balance between production aid and consumption aid. For this reason, no changes in the olive oil regime have been decided this year.

Price decisions for olive oil

(ECU/100 kg)

TYPE OF PRICE OR AID		1993/94	1994/95	1995/96
1.	Producer target price	383.77	383.77	383.77
2.	Intervention price	231.82	191.92	191.92
3.	Representative market price	229.50	229.50	229.50
4.	Production aid	106.48	142.20	142.20
5.	Production aid for olive-growers producing an average of less than 500 kg per year	115.76	151.48	151.48
6.	Consumption aid	47.79	12.07	12.07
7.	Percentage withheld on the production aid			
	- quality improvement	1.50%	1.40%	1.40%
	- aid for producers' organizations and associations thereof	1.10%	0.80%	0.80%
8.	Percentage withheld on consumption aid			
	- promotion campaigns	0.50%	-	-
	- aid for trade bodies	2.00%	5.50%	5.50%

STATISTICAL TABLES*

Supplies of olive oil

EUR 15

	1000 t				% TAV
	1990/1991 (3)	1991/1992 (3)	1992/1993 (3)	1993/1994	1993/1994 / 1992/1993
1	2	3	4	5	6
EU production	1041	1729	1379	1491	8,1
Oil imports	46	40	57	60	5,3
Intra-EU trade	483	328	357	370	3,6
Oil exports	93	162	162	100	-38,3
Intra-EU trade	490	308	359	370	3,1
Change in stocks	-223	135	-215	-8	-96,3
Internal use	1310	1472	1489	1459	-2,0
of which :					
Industrial use	20	25	26	26	0,0
Human consumption	1290	1447	1463	1396	-4,6
Human consumption (kg/tête) (1)	3,8	4,4	4,2	4,0	-3,7
Self-sufficiency (%) (2)	79,5	117,5	92,6	97,9	5,7

Source : European Commission, Directorate-General for Agriculture.
(1) Ratio of human consumption to resident population at 1 January.
(2) Ratio of total production to domestic use.
(3) EUR 12.

* Extract from *The agricultural situation in the European Union. 1995 report.*

European Commission

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