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KEY MESSAGES

Olive oil: -11%

EU olive oil consumption in 2022/23

Wine: +3%

EU wine production in 2022/23

Apples:

Above-average production

Oranges: -7%

EU per capita consumption of fresh oranges

SPECIALISED CROPS

HIGHLIGHTS

2022/23 EU olive oil production is expected to be record low (1.4 million t, -39% year-on-year) mainly due to the production drop in ES as a result of an extremely hot and dry weather. Lower availability, combined with high input costs, is leading to higher producer prices, which are passed along the supply chain and leads to higher consumer and export prices. As a result, both EU consumption and exports are expected to drop (after a record level of exports recorded last year).

Contrary to olive oil production, EU wine production is increasing and could reach almost 158 million t in 2022/23, an increase mainly due to a strong recovery in FR. Following the strong consumption growth last year, it is likely to go back to a declining trend, slightly above the level during the COVID-19 initial outbreaks. EU wine exports could remain stable, at a level comparable to the one of last years.

The weather impacted negatively also EU orange production, especially in ES (-16%) and IT (-20%). A stronger reduction is expected in processed oranges. The reduced availability could lead to increasing imports. High prices are expected to have a negative impact on an apparent per capita fresh consumption (-7%), but less than for other types of fruits. Above-average apple production is expected in the EU. Due to high storage costs (especially energy), but also transportation, more apples could be directed to processing. Similar to oranges, apparent EU per capita consumption of fresh apples could decline (-6%) while increases for processed products (+4.5%).

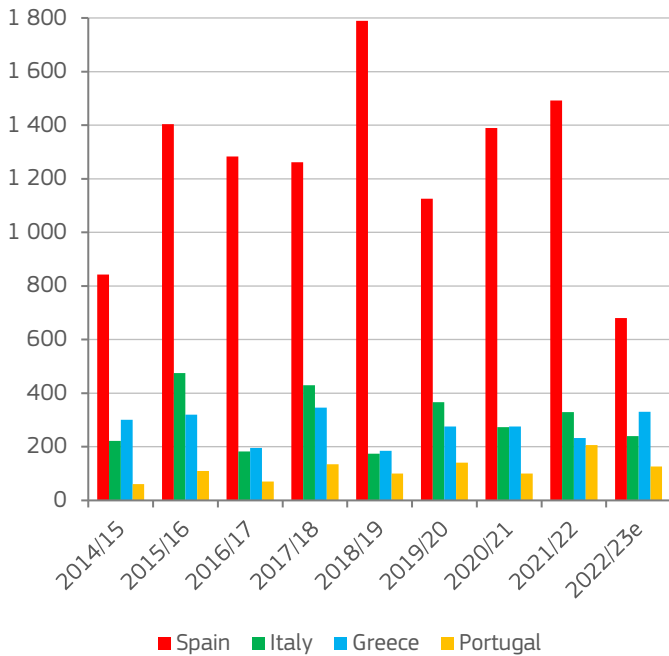
OLIVE OIL

2022/23 EU OLIVE OIL PRODUCTION RECORD LOW

Earlier estimates of a record-low harvest due to hot and dry weather conditions were confirmed, and 2022/23 EU olive oil production could reach only 1.4 million t (-39% year-on-year). This is due to lower yields of olives (2.53 t/ha in 2021 and only 1.67 t/ha in 2022) as the oil yield remained comparable to the previous year. Among the main EU producing countries, only EL showed an increase (+42%), which was far from enough to compensate for losses in other main producing countries. In IT and PT, some decline is also attributed to a bi-annual alternation, while ES suffered the most from the lack of rainfall during flowering and consequential availability of water for irrigation.

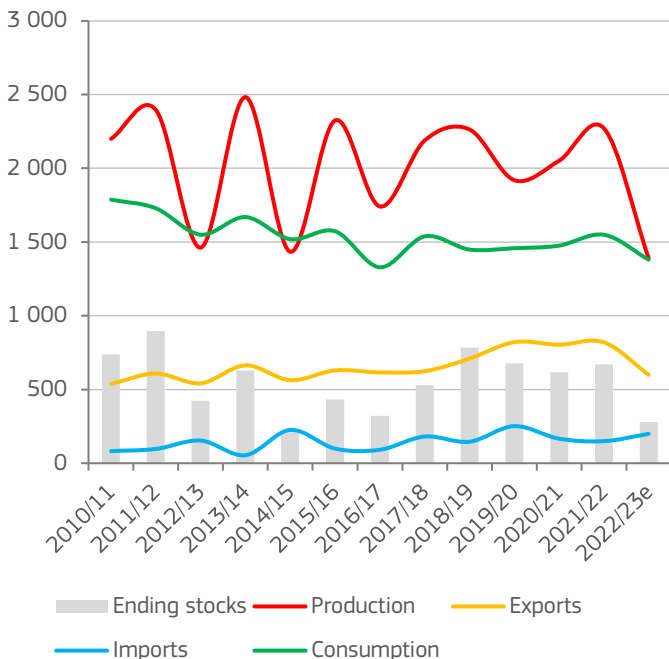
Despite high beginning stocks in 2022/23, the olive oil availability is low. This, combined with high input costs, contributes to historically high producer prices for all categories of olive oil. In ES, average price of extra virgin olive oil is 85% above the last 5-year average at the end of February (more than EUR 520/100 kg), and 90% in the category of lampante olive oil (EUR 470/100 kg). Along supply chains, these increases lead to an increase of a unit export value as well as of EU consumer prices. In January, the index of consumer prices for olive oil was at 126.3 points (index year 2015) and recorded a further 12 points increase since the beginning of the new campaign in October.

Olive oil production in main EU producing countries (1 000 t)



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

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



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

INCREASING PRICES WEAKEN EU AND GLOBAL DEMAND

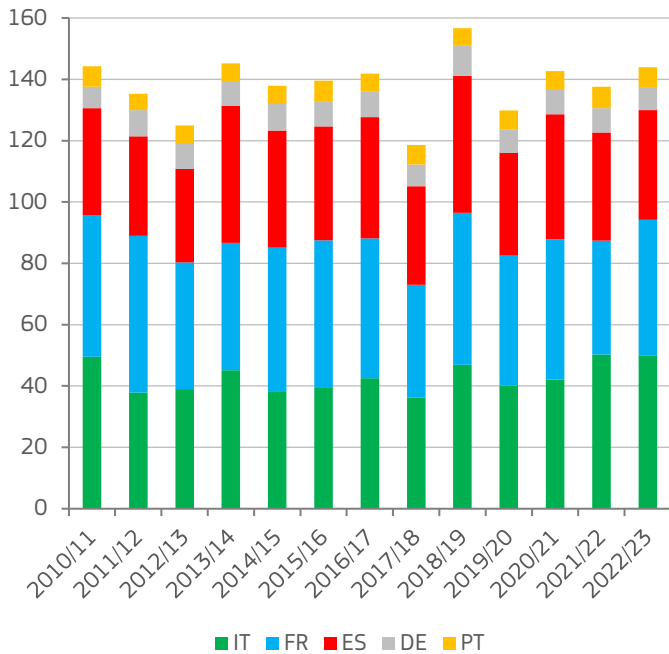
Increasing EU consumer prices are likely to negatively impact EU consumption in 2022/23. In the main EU producing countries, usually more sensitive to price moves, the drop could be of around 11%. Besides reduced retail purchases, it is expected that some volumes could also be reduced in food processing, and some substitution with other oils could also take place, even if more limited as their prices remain also high (e.g. sunflower oil). In the rest of the EU, and given a more premium positioning of the product, the consumption could drop by 10% (relative to stable levels observed last years).

EU exports could also be reduced, taking into account increased exports last year, and a weaker purchasing power in some destinations. Therefore, they are likely to reach 600 000 t (27% below last year which was very close to the record year of 2019/20). Lower EU availability could also lead to increasing imports, mainly sourced from Tunisia, but also Türkiye and other origins that showed a production increase. Therefore, they could reach 200 000 t. Combined with other EU market developments, ending stocks could reach close to 280 000 t, assumed to be an average level of ending stocks.



WINE

EU wine production of main producing countries (million hl)



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

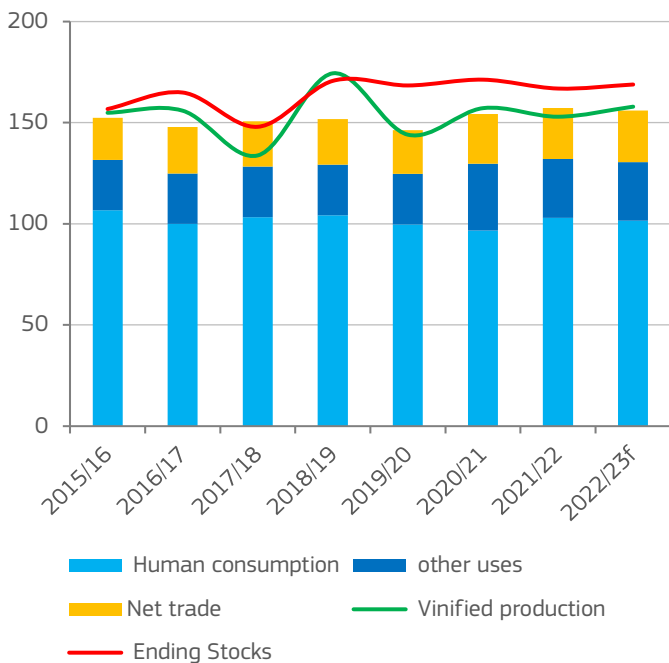
EU CONSUMPTION OF WINE COULD GO BACK TO ITS LONG-TERM DECLINING TREND

Based on the latest MS notifications, 2022/23 EU wine production is likely to be close to original estimates. It could reach almost 158 million hl (+3.3% year-on-year). This is mainly due to a production recovery in FR (around +19% year-on-year). Among the other main producing countries, ES showed an increase (+1.3%) while the production in IT declined by almost 1% compared to the last marketing year. At the same time, the wine production dropped in PT by 8%.

As a result of post-COVID recovery of consumption habits, and partially due to changes in EU population numbers in 2021/22, EU consumption of wine increased in 2021/22. There are some market signals that this is likely to be reverted in 2022/23. As a result, it could return to a declining trend and it could reach 22.5 l per capita (above the consumption level during 2020/21, impacted strongly by initial COVID-19 outbreaks, but 1.3% below a 5-year average). This is particularly the case for red wines.

Despite an expected increase in production, vinified production destined to 'other uses' (e.g. distillation, vinegar and brandies) is likely to remain at a comparable level of last campaign (around 29 million hl).

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



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

SUSTAINED EU WINE EXPORTS IN 2022/23

While EU wine exports in volume remained stable in 2021/22, their value increased by more than 12%. Considering different categories of wine, the stability of volume was due to increasing volumes of PDO, other wines and varietal wines which compensated for the reduced exports of PGI wines. The UK and the US remained the main EU export destinations, with a higher share of value traded taken by the US while the UK imported larger volumes. These markets allow EU producers to export their most expensive wines which are benefitting there from a better positioning than they would have got in the EU market.

In 2022/23, EU wine exports, driven by quality wines, could remain at a comparable level as in the last marketing year (around 32 million hl, 3% above the 5-year average). This could be supported by a sustained demand in main EU export destinations.

Taking into account an increase of EU vinified production, EU wine imports could drop by around 4% to 6.6 million hl (14% below 5-year average) and continue a long-term declining trend. As an overall result, ending stocks of 2022/23 are expected to continue to be at high levels (around 170 million t). However, they would remain below the record level of the first year of COVID-19 outbreaks (2020/21).



APPLES

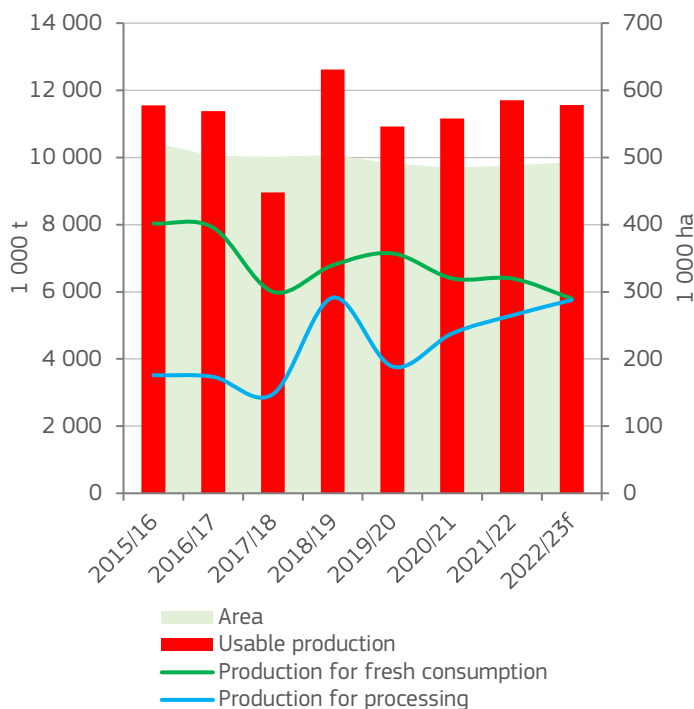
HIGH STORAGE COSTS DIRECT MORE APPLES INTO PROCESSING

The EU production of apples is expected to be around 12.2 million t in 2022/23 (a volume similar to the last marketing year, 2.6% above 5-year average). A record high harvest in PL (4.2 million t, +5% year-on-year) and high crops in IT (+7%) compensated for the lower than usual harvesting in FR (-10%). Lower production was also observed in other EU countries mainly HU, RO, ES, and PT.

Almost half of the production is expected to be channelled to processing rather than to be stored. This is a result of a higher availability of lower-quality apples not suitable for fresh consumption, their low prices, lower export opportunities and high energy (storage) costs. In addition, problems with the availability of seasonal workers in some EU countries delayed harvests, which had an implication on the fruit quality.

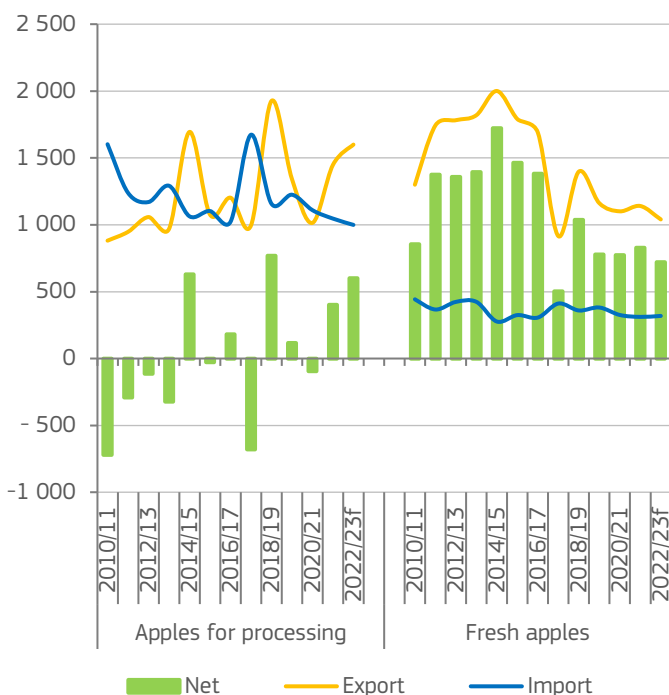
In total, around 5.8 million t of apples are expected to be sold in the EU for fresh consumption (-9% year-on-year) and 5.7 million t for processing (+8% year-on-year).

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.

EU EXPORTS OF PROCESSED APPLES INCREASING

Higher than expected EU availability of apples for processing in 2022/23 (+8% year-on-year) and lower than expected production in China could help to increase EU exports of processed apples (+26% above 5-year average) and weigh negatively on imports of those products (-4% year-on-year). EU exports of fresh apples could continue to decline in 2022/23 (-9% year-on-year), driven by a lower availability for fresh consumption, especially in the second half of the season due to high storage costs and more apples to be sent for processing. This could also be combined with a limited access to markets of third countries. As a result, a slight increase in EU imports of fresh apples is expected in 2022/23 (+2% year-on-year), while ending stocks could drop by 23%.

The apparent EU per capita consumption of fresh apples is expected to go down in 2022/23 (to 11.5 kg, -6% year-on-year). Persistent inflation, implying a purchasing power decrease, outweighs relatively low prices in real terms, which cannot keep up with the increase in production costs. However, similar to oranges, this drop is to be smaller than in other (more tropical) types of fruit. On the other hand, higher availability of apples for processing is expected to lead to a record high EU apparent consumption of processed apples (to 11.5 kg per capita, +5% year-on-year).



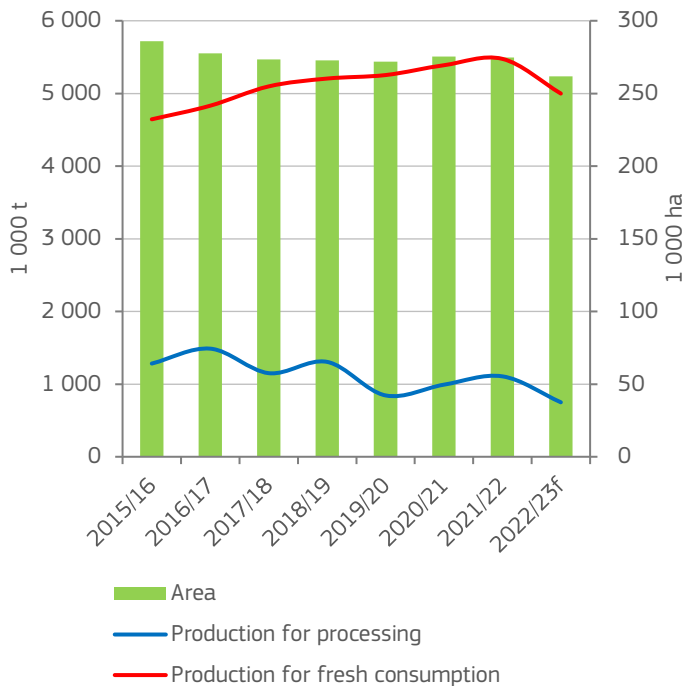
ORANGES

10-YEAR LOW EU PRODUCTION OF ORANGES

As a result of dry and hot weather conditions in the main EU producing countries (especially in ES and IT), 2022/23 EU orange production is expected to decline by 13% to around 5.7 million t. A comparably low production was last time recorded in 2012/13. In case of ES (more than 50% of EU production), the drop of 16% is attributed to lower yields while the area remained relatively stable. In IT, the area decline was combined with lower yields, and so the production was 20% below last year. In the EU, the area decline was slightly lower (-5%) than the yield change (-8%).

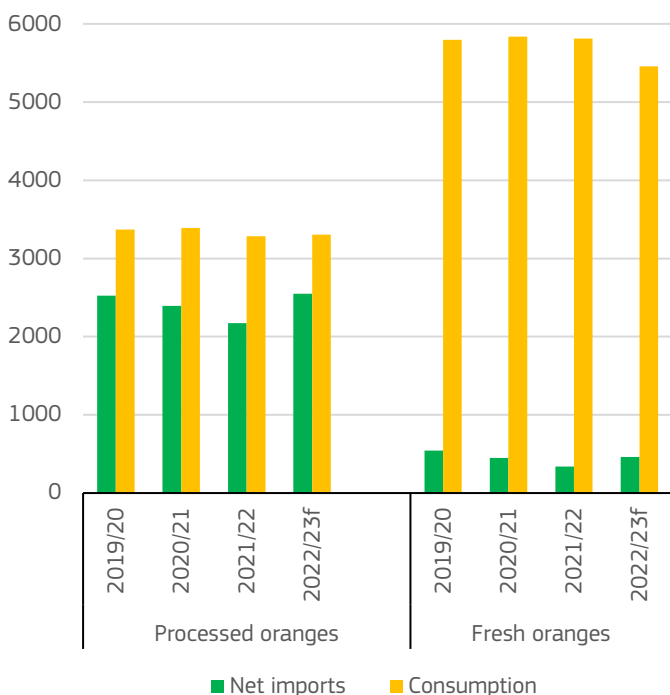
Besides lower yields of oranges, the quality of the fruit is also reported to be lower. Usually, lower-quality oranges are destined for processing, while, due to the lower supply, some of these are likely to end up in fresh consumption as well. Overall, it is expected that the drop in the production would have a stronger impact in processing than in fresh consumption (-32% and -9% respectively). While the supply for processing could be historically low, the production for fresh consumption could remain low, but at comparable levels observed in past years. As a result of the low production, producer prices increased (except PT), but they might not be high enough to compensate the rising cost of inputs, mainly energy and fertilisers.

EU oranges area and production



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

EU trade of oranges (1000 t)



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

EU FRESH PER CAPITA CONSUMPTION DOWN

Because of a lower EU availability, EU imports of fresh oranges are likely to increase (+14%), given a good production in Egypt and South Africa. On the contrary, EU exports of fresh oranges could be lower (-6%). As a result, increasing net imports could prevent EU consumption of fresh oranges from a stronger decline, which could have been expected considering the lower production and high prices. Concerning the latter, this could impact negatively per capita consumption (-7%), but less than for other (especially more expensive) types of fruit such as berries and cherries.

In case of processed oranges, EU imports could also increase (+6%) and substitute for lower domestic supply. This growth could be attributed to larger imports of a concentrated orange juice from Brazil. At the same time, EU exports could decline by an additional 24% (as already recorded last year) and reach the historically lowest level (650 000 t), but relative to the historically lowest production of oranges. As a result, an apparent EU per capita consumption of processed oranges could remain stable compared to a declining trend observed in the past. This could also be attributed to a decreasing purchasing power, when consumers are choosing less expensive processed products (e.g. packaged juices over freshly squeezed ones).

