European Commission
Directorate-General for Agriculture

The olive oil sector in the European Union

Fact sheet

Olive oil is a very versatile product. Long known to many generations in the Mediterranean world as essential to their health and diet, it is now widely appreciated in Europe and around the world for its nutritional, health and sensory properties. The European Union is the leading world producer, accounting for 80 % and consuming 70 % of the world's olive oil. Happily, given its importance to the economies of many regions, demand is steadily increasing both in the EU and in third countries, helped by information and promotional campaigns supported by the Union and others. The main aim of EU olive oil policy is to maintain and strengthen its position in world markets by encouraging production of a high-quality product for the benefit of growers, processors, traders and consumers.

1. The European Union leads world olive oil production

Olive production matters to the rural economy

Olive cultivation is widespread throughout the Mediterranean region and is important for the rural economy, local heritage and the environment. In 2000, the area under olive groves in the EU was approximately 5 163 000 hectares ([1]), roughly 4 % of the utilisable agricultural area, of which 48 % were in Spain and 22.5 % were in Italy. Approximately 2.5 million producers — roughly one third of all EU farmers — are involved, with 1 160 000 in Italy, 840 000 in Greece, 380 000 in Spain, and 130 000 in Portugal. France, the fifth producing country in the EU, has a much smaller number of growers. Olive production is the main source of employment and economic activity in many producing regions, and it has shaped the landscape in these countries over many centuries.

([1]) Agriculture DG fact sheet 'Reforming the olive oil sector', October 1998, see: http://europa.eu.int/comm/agriculture/publi/fact/olive/index_en.htm).

The table on page 6 shows the evolution of production eligible for production aid in the EU.

The olive oil sector in the European Union

The sector consists of growers, cooperatives, pressing mills, refiners, blenders, and companies involved in various aspects of marketing. Three broad types of production can be distinguished: traditional groves, often of ancient olive trees; more managed traditional plantations involving a higher use of inputs; and intensive, generally recent, plantations using more mechanisation and other technologies including irrigation. This mix of ancient and modern helps explain the differing farm sizes, ownership characteristics and processing structures that exist within the EU. Likewise, large differences in production systems occur within each producing region. The average holding size is as low as 1 hectare in, for example, Italy, though olive holdings in Spain are larger (6 hectares on average).

Olive oil — the product

The EU recognises several grades of olive oil. Each has its particular qualities and market value. The EU has always aimed to define clearly the different categories of olive oil so that consumers can be sure of what they purchase and producers can achieve the full market value of their quality product. The latest EU classification will enter into force on 1 November 2003.

The European Union and the world market

Whilst Community production leads the world market (over 2 million tonnes), Tunisia, Turkey (an EU candidate country), Syria and Morocco are also important, producing over 500 000 tonnes between them for the 2000/01 campaign (equivalent to approximately 25 % of EU production and 20 % of total world production). Production in other regions of the world is negligible in comparison. The fact that the EU is self-sufficient does not preclude it from trading olive oil. Imports in 2000/01 from these third countries (mostly in bulk) were 127 000 tonnes, while EU exports reached 290 000 tonnes, the main destinations being the United States of America, Japan, Canada and Australia. EU olive oil exports tend to be in bottled form.

2. European Union olive oil policy

Olive oil policy has evolved over many years and is now strongly focused on improving the quality of the product, and encouraging olive growers to deliver consumer satisfaction. The budget for olive oil common market policy is over EUR 2.3 billion per year.

Some history

Policies to promote olive oil production in the EU have changed significantly since the first common organisation of the market (or 'regime') was devised in 1966 [2]. At that time, Italy was, in practice, the only producer in a Community of six countries. Initial measures were aimed at sustaining the market price for olive oil, giving special assistance to growers (especially those with a small production), and boosting consumption of olive oil for canning. The EU put limits on the areas of production eligible for aid (the maximum guaranteed quantity — MGQ), set minimum prices, established border protection and public and private storage to take surpluses from the market and granted export subsidies to assist marketing outside the EU.

With the accession of Greece (1981), and Portugal and Spain (1986), the EU was transformed from being a net importer to a net exporter and into the key player in the world trade of olive oil. It became clear that the rules laid down in the original regulation were no longer suitable, prompting amendments to be introduced in 1984, and subsequently in 1998 and 2001.

The 1998 reform

The European Commission reported on the need to reform the olive oil regime in February 1997, putting forward options for a future regime. Its review identified a number of issues that needed to be addressed:

- lack of reliable statistical data in the olive oil sector. Despite some progress in the collection of data — on the number of trees, the surface area under olives, and the methods for estimating basic yields — more precise information was necessary;

- problems had been experienced for many years in ensuring that aid was reaching growers without fraud taking place;

- controlling the special aid system for producers of less than 500 kilograms of olive oil per annum was more and more difficult. Production levels of individual olive groves are often difficult to determine as owners may keep much of the stock for their own use. This made calculating the aid entitlement of individual producers very uncertain.

Subsequently, the first phase of reforms was put in place in 1998 [3]. It was designed as a transitional arrangement, but already contained several important adjustments (summarised in Box 1).

The 2001 reform

The transition period, originally from 1998 until the end of the 2000/01 marketing year, was extended in 2001 until the end of the 2003/04 marketing year [4]. During this period, the European Commission is conducting a further thorough review of the needs of the sector and the market, taking into account the experience of the first years of the transitional regime and the lack of accurate data on olive growing. Priority has been given to an in-depth examination of matters related to quality strategy.

This examination of quality issues resulted in 2000 in the European Commission's communication, 'Quality strategy for olive oil', which concluded that:

- more extra virgin olive oil of various types is now being produced and less *lampante* oil, partly thanks to improved extraction techniques. Definitions of virgin olive oil should be tightened so as to deliver more quality to consumers;

- lack of clarity regarding different types of olive oil threatens to lower consumers' confidence in the product. This in turn affects prices received by growers and processors. Several measures to improve product standards and marketing were identified;

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[2] Council Regulation No 136/66/EEC of 22 September 1966 on the establishment of a common organisation of the market in oils and fats (OJ L 172, 30.9.1966).

[3] Council Regulation (EC) No 1638/98 of 20 July 1998 amending Regulation No 136/66/EEC (OJ L 210, 28.7.1998).

[4] Council Regulation (EC) No 1513/2001 of 23 July 2001 amending Regulation No 136/66/EEC and Regulation (EC) No 1638/98 as regards the extension of the period of validity of the aid scheme and the quality strategy for olive oil (OJ L 201, 26.7.2001).

• Member States should finance quality enhancement programmes by withdrawing a certain percentage of production aid.

The aim is to overhaul the regime by 2004, taking into account the results of this further review and of the experience of the transitional regime.

3. An olive oil regime for the future

As with other reforms of the common agricultural policy (CAP), amendments seek to adapt the sector to major changes and make it more competitive by achieving a better balance between supply and demand. They also aim to improve the quality of olive oil, simplify the rules and implement more effective monitoring.

There is a risk that market surpluses will occur without further changes to the regime. This concern has been prompted by an increase in the number of trees and in productivity and the relatively slow growth in consumption.

The 2001 reform of the regime endorsed the principle that, as of 1 November 2003, olive trees and areas not registered under a system of airborne imagery known as GIS (geographic information system) will not be eligible for aid.

GIS uses data from cultivation registers and other sources and situates it geographically using computerised aerial photography. It can be used to verify that information in crop declarations is correct, thus allowing tighter control of production aid payments and a reduction in the potential for fraud. In the future, it is hoped that GIS will be the major monitoring and control instrument.

4. Quality enhancement

Given the strong, positive image of olive oil products, the importance of olive growing in many EU Member States, and the EU's predominance in the world market for olive oil, the major aim of future olive oil policy will be to enhance the quality of the product even further.

In establishing the transitional regime in 1998, the definitions of categories of olive oil were amended to establish tighter standards and to take into account modern and more effective methods of sensory analysis. These were made more precise in 2001 as part of an ongoing campaign to encourage producers to concentrate on the quality of the oil. Standards currently in place set a new definition for olive-pomace oils and allow a clearer distinction to be made between these oils and *lampante* virgin oils. Rules were also adopted to improve analysis methods, to establish product quality and to set procedures for the establishment of testing panels ([5]).

Marketing standards

The new regulation on marketing standards for olive oil ([6]) lays down the standards for packaging, labelling, presentation and advertising required for marketing in the EU, thus providing important safeguards for the consumer and allowing producers to maximise the benefits of selling on the basis of quality. The packaging rules limit the size of packaging in the retail sector (including direct sales) to five litres, thus promoting quality, since small packs reduce oxidisation and minimise the possibility of tampering. An important new rule is that olive oil in containers intended for retail sale will have to be labelled with a clear definition of the grade of oil inside them (see Box 2).

Furthermore, this regulation makes it possible for producers to market their extra virgin and virgin olive oils on the basis of geographic origin. In addition, optional declarations in labelling such as 'first cold pressing' are being standardised so that consumers can be sure the product is what it says it is.

A last word on quality

Quality is a key factor in increasing consumer confidence and building consumption in both the EU and third countries. Olive oil is well known as a quality product and the putting in place of a quality strategy is one of the most important aspects of EU initiatives.

([5]) Commission Regulation (EC) No 796/2002 of 6 May 2002 amending Regulation (EEC) No 2568/91 on the characteristics of olive oil and olive-pomace oil and on the relevant methods of analysis, and the additional notes in the annex to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff. (OJ L 128, 15.5.2002)
([6]) Commission Regulation (EC) No 1019/2002 of 13 June 2002 on marketing standards for olive oil. (OJ L 155, 14.6.2002)

However, quality cannot solely be achieved by Community legislation. It requires the involvement of all those concerned with the production and marketing process — the producers, the pressing mills, the processors, and those who market it. In this context, the 2001 reform provides Member States with the possibility to withdraw a limited share of market aid in favour of operator organisations undertaking activities in areas such as market follow-up, improving the environmental impact of olive oil production, and quality improvement and traceability aspects (7).

Table olives

Not all olives are pressed to extract their oil. Olives are consumed as olives at the table ('table olives'). The olive oil regime also assists producers who market their production as table olives by allowing Member States to allocate part of their aid to them. Table olives may also benefit from promotional campaigns financed by the EU.

Olive oil and the environment

Certain types of olive oil production can be associated with environmental problems such as soil erosion, depletion of water resources and pollution through overuse of agrochemicals. But in large parts of the EU, the cultivation of olive trees makes a positive contribution to the maintenance of both natural and scenic values. Rural development programmes and agri-environment schemes are starting to be used to address environmental problems, for example by encouraging improved growing conditions and pest control, better conditions for harvesting, olive processing, storage of oil and disposal of waste. Operator organisations are also meant to play their part in dealing with environmental impacts.

Promoting the EU's olive oil

The EU funds information and promotional campaigns to encourage the consumption of food products both in the EU and in third countries. Recent regulations, applicable also to olive oil, set rules for the financial participation of Member States and the sector concerned (8). Olive oil and table olives are eligible for such funding. Market studies are also commissioned in order to expand the olive oil market. Producers play a full part in this work. Research and development work into new products and techniques is being undertaken with many partners, including the EU olive oil sector and the International Olive Oil Council. The EU has entrusted the IOOC with the implementation of promotional campaigns in third countries.

(7) Commission Regulation (EC) No 1334/2002 of 23 July 2002 laying down detailed rules for the application of Council Regulation (EC) No 1638/98 as regards the work programmes of operator organisations in the olive sector for the marketing years 2002/03 and 2003/04 (OJ L 195, 24.7.2002).

(8) Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market (OJ L 328, 23.12.2000), and Commission Regulation (EC) No 94/2002 of 18 January 2002 laying down detailed rules for applying Council Regulation No 2826/2000 (OJ L 17, 19.1.2002).

Box 1 The transitional olive oil regime

In 1998, the main changes to the 1966 regulation that were introduced were as follows:

- Reduction in the number of policy instruments, leaving production aid as the principal measure of assistance.
- Production aid to be granted to all producers on the basis of the quantity of olive oil they actually produce, rather than on the basis of the number of trees and a fixed yield (as provided for in the regime for small producers, abrogated in 1998).
- EU maximum guaranteed quantity (MGQ) of olive oil eligible for production aid increased by 31.6 % from 1.35 to 1.78 million tonnes and apportioned among producer Member States in the form of national guaranteed quantities (NGQs). Production aid simultaneously reduced from EUR 142.2/tonne to EUR 132.5/tonne.
- Public storage (intervention) replaced by a system of private storage contracts to deal with serious market disturbance.
- Olive tree GIS (geographic information system) system to be established.
- New olive trees planted after 1 May 1998 will not qualify for market aid.
- Possibility given to producer Member States to grant aid to table olive producers within the limits of their respective NGQ.
- Abolition of consumption aid.

Production aid

Production aid is granted to 2.2 million of the 2.8 million recorded producers of olive oil in the European Union. Financially speaking, this is the most important measure in the olive oil regime. Aid is granted exclusively on the basis of the actual quantity produced. A percentage of this aid is retained for measures to improve the quality of olive oil production, and to secure the functioning of producer organisations. Some of these measures are applied at national level.

If the production aid regulations are breached — for example, if the quantity of oil eligible for aid is less than that declared by the producers — the Member State must take the necessary measures to penalise the producer or producer organisation concerned.

Maximum guaranteed quantity (MGQ)

Production aid in each Member State is limited to a national guaranteed quantity (NGQ). In Member States overshooting the NGQ, there is a proportional reduction of the aid granted to producers. Of the total MGQ, 42.8 % is allocated to Spain, 30.6 % to Italy, and 23.6 % to Greece. If production in one Member State undershoots the NGQ, 20 % of the amount of that undershoot may be used to compensate for an overshoot of another Member State's NGQ, while 80 % can be carried over to the NGQ of the following marketing campaign. This is to take into account large annual variations in olive oil production.

National guaranteed quantities — including olive-pomace oil *(tonnes)*

Spain	Italy	Greece	Portugal	France	Total
760 027	543 164	419 529	51 244	3 297	1 777 261

Box 2 Descriptions and definitions of olive oils and olive-pomace oils

Extra virgin olive oil

Superior-category olive oil obtained directly from olives and solely by mechanical means.

Virgin olive oil

Olive oil obtained directly from olives and solely by mechanical means.

Olive oil composed of refined olive oils and virgin olive oils

Oil comprising exclusively olive oils that have undergone refining and oils obtained directly from olives.

Olive-pomace oil

Oil comprising exclusively oils obtained by treating the product obtained after the extraction of olive oil and oils obtained directly from olives
or
oil comprising exclusively oils obtained by processing olive-pomace oil and oils obtained directly from olives.

A separate classification of olive oils, containing precise details of production methods and key elements such as acidity levels, is used for regulatory purposes (in the annex to Council Regulation (EC) No 1513/2001 of 23 July 2001 (OJ L 201, 26.7.2001).

Table 1

Olive oil production for which aid was granted (*) *(tonnes)*

Year	Italy	Spain	Greece	Portugal	France	Total
1989/90	585 000	573 000	316 372	35 100	2 825	**1 512 297**
1990/91	148 000	700 000	170 869	20 000	2 310	**1 041 179**
1991/92	650 000	610 000	430 147	34 992	3 400	**1 728 539**
1992/93	410 000	636 000	314 432	17 075	1 840	**1 379 347**
1993/94	550 000	588 000	323 161	27 486	2 407	**1 491 054**
1994/95	458 664	583 000	389 904	29 220	2 440	**1 463 228**
1995/96	625 000	375 000	445 000	34 000	2 450	**1 481 450**
1996/97	410 000	986 700	494 218	37 000	2 360	**1 930 278**
1997/98	712 847	1 147 000	492 364	39 600	2 480	**2 394 291**
1998/99	452 286	899 991	562 493	33 936	2 364	**1 951 070**
1999/2000	791 595	747 000	463 090	47 380	2 681	**2 051 746**
2000/01	540 864	1 074 970	479 066	25 444	2 247	**2 122 591**

(*) Including olive-pomace oil. Table olives in olive oil equivalent included as from 1998/99.

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