

MARKET UPDATE:

OLIVE OIL

JULY 2023

Market Overview

Despite geopolitical tensions, supply chain disruptions, and climate conditions causing significant challenges, the global olive oil market is projected to grow from \$11.64 billion in 2022 to \$12.21 billion in 2023, and further to \$15.07 billion by 2027. Europe leads the market, with Asia-Pacific as the fastest-growing region. The Russia-Ukraine conflict has affected the market, causing inflation across goods and services.

The olive oil market is currently situated in an extremely high price band, with supply being very scarce. The situation remains complex due to high prices and the complexity of supply, which is characterized by very low availability. Sales, including shipments from Spain, are not decreasing significantly. It is anticipated that by October 2023, Spain will have a very low carry-over, the lowest in its history.

Spain

The initial estimates for the next harvest in Spain are not promising. Prices continue to rise sharply, with extra virgin olive oil (EVOO) priced above 8.3 euros per kilo and pure olive oil above 6.9 euros per kilo, but quantities are extremely limited.

Given these factors, market players are understandably concerned, especially with the potential for a short crop and very low carry-over in October-November 2023. This concern is further heightened by the rising temperatures in Andalucía, which have exceeded 40 degrees Celsius.

As of June 30th, the stock in Spain was 450,000 tons, with 200,000 tons held by mills and cooperatives and 250,000 tons held by packers and the industry to fulfil their existing contracts for the rest of 2023. This is a very low figure, and new fresh oil will not be available until November 2023. If exports continue at high levels, there is a risk that oil availability will be null by September or October.

Other Regions

In Italy, packers face supply problems, while in Portugal, there's no stock to sell. Greece's market is closed with no offers, and Turkey's market has started to decline offers. However, Tunisia expects a good crop. In the Southern Hemisphere, prices are the same as in Spain and other Mediterranean countries, with very limited quantity to offer.

Summary

The first estimates for the next crop are around 750,000 tons (+/-120,000 tons), depending on summer temperatures and potential rains. However, these values suggest that there will be a global shortage of 400,000 to 600,000 tons. No price reductions are expected in the next 3 or 4 months, and more increases are anticipated if conditions don't change drastically.

Recommendation

Given the current market conditions, it may be prudent to consider transitioning to more cost-effective alternatives, such as blends of Sunflower Oil and Extra Virgin Olive Oil. This shift could help mitigate cost challenges while still maintaining some of the unique flavour profiles associated with Extra Virgin Olive Oil.

We offer two options for this blend; 65/35 or 80/20. They're available in both 5L and 1000L IBC formats, providing flexibility based on your needs.

Alternatively, for those using olive-based frying oils, we recommend considering a switch to Pomace Olive oil, Rapeseed or Sunflower Oil available in 20L and 1000L IBC formats. This is due to the anticipated price challenges associated with the current market conditions.

By making these adjustments, we can navigate the current market challenges while still providing high-quality products.

COMPARISON	Extra Virgin Olive Oil	Pure Olive Oil	Pomace Oil
Production Method	Cold-pressed from fresh olives without refining	Blend of refined olive oil and virgin/extra virgin olive oil	Extracted from leftover olive pulp, skins, and seeds
Flavour	Highest quality, rich flavor and distinct aroma	Milder flavour compared to extra virgin olive oil	Milder flavour and more neutral taste
Suitability for Cooking	Best used for drizzling, dressings, dips, and low-temperature cooking	Higher smoke point, suitable for high-temperature cooking methods	Higher smoke point, suitable for frying and high-heat cooking
Processing	Unrefined, retains full nutritional benefits and antioxidants	Retains some health benefits and monounsaturated fats	Considered lower quality due to additional refining processes
Main Use	Drizzling, salads, finishing dishes, and raw consumption	Cooking, sautéing, and various culinary applications	Frying, general cooking, and commercial food production

Please note that this table provides a comparison between the oils, but there may be additional factors to consider based on preferences and specific use cases. Extra Virgin Olive Oil is typically considered the highest quality and most flavourful option, while Pure Olive Oil and Pomace Oil offer different characteristics and suitability for different cooking purposes.

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