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Approved by:

Robert Wicks

U.S. Embassy, Madrid

Prepared by:

Leonor Ramos

Report Highlights:

Portuguese 2000 tobacco output is to remain at 6,193 Mt, farm weight basis, and in 2001 at forecast 6,111 Mt. A boosted industrial activity is to lead to an expansion of 2000 total un-manufactured tobacco imports up to estimated 15,000 Mt, and of 2001 imports up to forecast 17,000 Mt. Tobacco imports from the U.S. are to reach estimated 7,500 Mt in 2000, and forecast 8,100 Mt in 2001. 1 USD = 236 Pte.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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TABLE OF CONTENTS

Executive Summary	1
Commodity Name: Unmanufactured Tobacco, Total	2
Production, Supply & Distribution Table	2
Production	2
Consumption	3
Trade	4
Policy	7
Production Quotas	7
Prices and Subsidies	8
Marketing	9
Commodity Name: Unmanufactured Tobacco, Flue Cured	11
Production, Supply & Distribution Table	11
Commodity Outlook, Production	11
Consumption	12
Trade	12
Commodity Outlook, Policy	14
Commodity Name: Unmanufactured Tobacco, Burley	15
Production, Supply & Distribution Table	15
Production	15
Consumption	16
Trade	16
Commodity Outlook, Policy	18
Commodity Name: Manufactured Tobacco, Cigarettes	19
Production, Supply & Distribution Table	19
Production	19
General	19
Industry Structure	20
Production Policy	20
Consumption	21
Trade	22
Policy	25
Marketing	25
Commodity Name: Manufactured Tobacco, Cheroot & Cigarell	26
Production	26
Consumption	26
Trade	27
Policy	28

Executive Summary

Due to the EU 1998 Tobacco Reform, total 1999 tobacco cultivated area decreased to 2.19 million hectares (ha) (2.61 million ha in 1998), of which 1.89 million ha were of Virginia (2.28 million ha in 1998), and 398,000 ha of Burley (335,000 ha in 1998). Another reduction to total 2,132,000 ha in tobacco cultivated area is expected for 2000 under the effects of EU activity cessation incentives and more rigorous EU subsidy eligibility criteria. Also due to these effects, in addition to the introduction of the subsidy modulation concept, another area reduction to 2.11 million ha is forecast for 2001. Total 2000 tobacco output is estimated at 6,193 Mt, farm weight basis, and total 2001 forecast production at 6,111 Mt. As a consequence of forecasted medium-term tobacco area reductions, national medium-term tobacco outputs are also expected to decline.

The local tobacco industry is composed of Phillip Morris-controlled *Tabaqueira, S.A.* (a mainland Portugal tobacco monopoly), and two small tobacco factories located in the mid-Atlantic Azores and Madeira islands. Profoundly re-structured since its first stage of privatization in 1996, *Tabaqueira S.A.*'s total tobacco manufacturing activity increased during 1999, to produce Portuguese cigarette classics for the domestic market and its international brands Marlboro, Chesterfield and L & M for the local and Southern EU markets. During 1999, total un-manufactured tobacco consumption is estimated at 9,765 Mt. Due to local cigarette manufacturing targets set by Phillip Morris for 2000 and 2001, Portuguese total un-manufactured tobacco consumption is to increase in 2000 to an estimated 15,459 Mt and in 2001 to a forecasted 17,800 Mt. Future expansions in local consumption of un-manufactured tobacco are possible, pending on whether *Tabaqueira* invests in increased capacity which could lead to a reported 50 percent increase in total projected 2001 cigarette production capacity.

As a consequence of increased levels of tobacco manufacturing, total un-manufactured tobacco imports are expected to increase to an estimated 15,000 Mt in 2000, up from 7,838 Mt in 1999. Another expansion is forecast for 2001 to 17,000 Mt in association with the higher manufacturing levels of *Tabaqueira S.A.* on mainland Portugal. Total un-manufactured tobacco imports are likely to remain stable over the medium-term future relative to forecast 2001 levels. Due to the fact that *Tabaqueira* is controlled by Phillip Morris, total national un-manufactured tobacco imports from the United States are to expand considerably during 2000 up to estimated 7,500 Mt (1,039 Mt in 1999). Consisting primarily in Virginia and Burley, total un-manufactured tobacco imports from the U.S. are expected to expand in 2001 to a forecasted 8,100 Mt.

1 USD = 236 Pte

Commodity Name: Unmanufactured Tobacco, Total

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	2909	2193	0	2132	0	2105
Beginning Stocks	285	285	285	185	285	200
Farm Sales Weight Prod	6226	5924	0	6193	0	6111
Dry Weight Production	5200	5331	0	5574	0	5500
U.S. Leaf Imports	0	1039	0	7500	0	8100
Other Foreign Imports	7800	6799	0	7500	0	8900
TOTAL Imports	7800	7838	0	15000	0	17000
TOTAL SUPPLY	13285	13454	285	20759	285	22700
Exports	2000	3504	0	5100	0	4700
Dom. Leaf Consumption	3000	2241	0	1275	0	1430
U.S. Leaf Dom. Consum.	0	1000	0	7500	0	7900
Other Foreign Consump.	8000	6524	0	6684	0	8470
TOTAL Dom. Consumption	11000	9765	0	15459	0	17800
TOTAL Disappearance	13000	13269	0	20559	0	22500
Ending Stocks	285	185	285	200	0	200
TOTAL DISTRIBUTION	13285	13454	285	20759	0	22700

Production

Due to the effects of the EU 1998 Tobacco Reform, in force since 1999, Portuguese total 1999 un-manufactured tobacco area and outputs suffered significant reductions relative to previous year levels. Lower EU production subsidies and new activity cessation incentives led to a reduction in total national tobacco area, while unfavorable weather conditions affected average yields, particularly in the *Idanha-a-Nova* region, one of key local Virginia tobacco production areas. Average quality of locally-grown tobacco was reportedly higher than in 1998 as a consequence of the introduction of quality incentives included in the EU tobacco reform. Accordingly, local tobacco leaf buyer *Agrotab S.A.* reports that shares of "A" and "B" tobacco grades in total purchased tobacco was higher than usual for both Virginia and Burley.

Still under the effects of new EU activity cessation incentives, total Portuguese tobacco area is expected to decrease in 2000. Nevertheless, due to overall improved weather conditions, total 2000 tobacco output is likely to remain slightly above 1999 levels. Unusually heavy rains in May 2000 affected local tobacco transplants, leading to a delayed harvest. Another national tobacco output reduction is forecast for 2001, due to further area reductions under the Tobacco Reform.

Locally produced tobacco varieties consist exclusively of Virginia and Burley. Cultivated in the *Beira Interior*, *Alentejo* and *Ribatejo* regions, Virginia accounts for the bulk of national tobacco production. Burley is cultivated primarily in certain *Beira Litoral* regions, as well as in the Azorean *S. Miguel* island. Breakdown of Portuguese 1999 & 2000 tobacco areas and outputs by variety are indicated in table below.

PORTUGAL: Tobacco Leaf Production in 1999 & 2000

	Area (Ha)	Output (Mt)	Average Price PTE/Kg	Area (Ha)	Output (Mt)	Area (Ha)	Output (Mt)
Year: 1999							
	Mainland Portugal			Azores Islands		Total	
Virginia - P	1,885.0	4,985.6	57.06	-	-	1,885.0	4,985.6
Burley - P	219.0	761.2	77.81	89.2	177.0	308.2	938.2
Total	2,104.0	5,746.8	77.81	89.2	177.0	2,193.2	5,923.8
Year: 2000 (*)							
Virginia - P	1,852.0	5,248.6	95.00	-	-	1,852.0	5,248.6
Burley - P	193.0	771.4	84.00	87.0	173.0	280.0	944.4
	2,045.0	6,020.0	84.00	87.0	173.0	2,132.0	6,193.0

Source: AGROTAB & *Fábrica de Tabacos Estrela*. (*) Estimate.

Consumption

Spurred up by an expanding, re-structured cigarette manufacturing industry (see Cigarettes), total Portuguese 1999 manufactured tobacco consumption increased relative to the previous year. As usual, the tobacco consumption mix was dominated by Virginia, followed by Burley and finally by Oriental and fire-cured tobacco. As a consequence of locally expanding cigarette production trends, total national un-manufactured tobacco consumption is forecast to increase in 2000 and 2001. Industrial consumption trends will remain basically unchanged, primarily influenced by the industrial requirements of locally-produced tobacco blends, dominated by so-called "American blend" which is composed of Virginia, Burley and Oriental tobacco. Locally-produced un-manufactured tobacco will continue to be utilized in limited quantities due to certain quality limitations, which up till now are said to be more restrictive in the case of Virginia.

All mainland Portugal tobacco is purchased by *Agrotab S.A.*, a subsidiary of Phillip Morris-controlled mainland Portugal tobacco monopoly *Tabaqueira, S.A.*. *Agrotab S.A.* finishes the drying of the leaves and produces the leaf strips, which it then sells to *Tabaqueira, S.A.*, or exports into other EU or non-EU countries. One of the two tobacco manufacturers operating in the Azores islands, *Fábrica de Tabacos Micaelense*, presently under *Tabaqueira* control, only processes tobacco blends prepared and shipped by *Tabaqueira, S.A.*. The other Azorean tobacco manufacturer, "*Fábrica de Tabacos Estrela*", consumes both locally produced and imported tobacco for the manufacture of its cigarette and cheroot & cigarello production.

Trade

The higher cigarette manufacturing levels by mainland Portugal tobacco monopoly *Tabaqueira S.A.* led to a 5.6 percent volume increase in un-manufactured tobacco imports during 1999. As a consequence of local tobacco consumption patterns, Virginia and Burley tobacco accounted for the bulk of 1999 imports, with "dark air cured", "sun cured" and other aromatic tobaccos accounting for a relatively small share of the total. Total imports from the United States increased during 1999 as well, consisting primarily of Virginia tobacco and Burley. Increased imports from the United States were largely a result of the need to find a close substitute for Cuban tobacco which Phillip Morris, as an American company, is prevented from buying. As a consequence of the increased 2000 manufacturing levels of *Tabaqueira S.A.*, total tobacco leaf imports will also increase. Total tobacco imports from the United States are expected to expand in 2000 and 2001, according to projected manufactured tobacco production levels recently announced by *Tabaqueira S.A.*. The current political instability in Zimbabwe could motivate importers to replace this origin with other more accessible ones, while the renewal of diplomatic relations between Portugal and Indonesia as a consequence of the end of the East Timor crisis could lead to an increase in tobacco importation from that origin.

Trade Matrices for total un-manufactured tobacco, for the Jan/Dec 1998 & 1999, and Jan/May 1999 & Jan/May 2000 periods are provided below. Data was obtained from the national statistics office INE.

Trade Matrix (Jan/Dec 1998 & 1999)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan/Decemb.	Units:	Metric Tons
Imports for:	1998		1999
U.S.	98	U.S.	1039
Others		Others	
EU	288	EU	1990
Zimbabwe	2743	Malawi	1694
Malawi	1481	Brazil	1220
Brazil	897	Zimbabwe	986
Turkey	862	Turkey	331
Tanzania	432	Tanzania	172
Mexico	167	Mexico	137
Guatemala	161		
Argentina	148		
Total for Others	7179		6530
Others not Listed	143		269
Grand Total	7420		7838

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan/Decemb.	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	35
Others		Others	
Italy	1126	Italy	1347
France	819	France	497
U.K.	519	Belgium	321
Belgium	416	Other EU	157
Other EU	143	Egypt	594
S. Africa	1240	Slovakia	180
Slovakia	597	Lebanon	113
Algeria	390	Venezuela	85
Uruguay	198	Malasia	59
Egypt	139	Venezuela	85
Total for Others	5587		3438
Others not Listed	320		31
Grand Total	5907		3504

Trade Matrix (Jan/May 1999 & 2000)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan/May	Units:	Metric Tons
Imports for:	1999		2000
U.S.	341	U.S.	3221
Others		Others	
EU	40	EU	307
Brazil	499	Brazil	1814
Zimbabwe	273	Argentina	447
Malawi	180	Turkey	381
Mexico	81	Zimbabwe	180
Zambia	69	Bulgaria	154
Tanzania	34	Malawi	113
Total for Others	1176		3396
Others not Listed	27		182
Grand Total	1544		6799

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan/May	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	12
Others		Others	
Italy	954	Italy	1403
Other EU	180	Other EU	209
Egypt	198	Algeria	800
Slovakia	140	Venezuela	196
Lebanon	75	Russia	176
Total for Others	1547		2784
Others not Listed	71		99
Grand Total	1618		2895

Policy

Production Quotas

Like in all other EU countries, the Portuguese tobacco sector is subject to EU policies. Accordingly, national tobacco leaf production is subject to a ceiling, which under the 1998 EU tobacco reform, was set at 6,700 Mt, unchanged since 1995. This total ceiling was further divided into different ceilings for the two locally-grown varieties, Virginia and Burley tobacco. Quota breakdown by varieties and producer organizations is given in table below.

PORTUGAL: Tobacco Leaf Quotas in 1999

Production Ceiling (Kg)	Producer Associations	Triennial Quota (Kg)
5,500,000	A.P.T. Virginia	5,500,000
1,200,000	A.P.T.T. Burley	685,622
	Copombal	271,638
	Producer Assoc. of São Miguel	215,425
	Individual Producers	3,313

Source: GOP.

Additional quota management rules were also introduced by the 1998 EU tobacco Reform. The significant change was the option for producers to offer individual quotas under a EU activity cessation Program. In accordance with EU mechanisms, farmers willing to give up production, and meeting activity cessation program requirements, can cease production, making their quotas available to others, while receiving a EU financed subsidy for a three-year period (for effective subsidy levels, please check Table below). This mechanism produced significant effects in Portugal during 1999, its first year of application. 291,693 Kg of Virginia quota were offered by the members of one of the local producer associations, of which 74,761 Kg were purchased by other local producers. In accordance with new EU quota management mechanisms, the remaining 216,932 Kg of Virginia eventually was transferred into the EU Commission reserve and eliminated from the national Virginia quota. 37,269 Kg of Burley quotas were offered by members of mainland Portugal *Copombal* Burley association which, for lack of interested local buyers, also ended up being transferred to the EU Commission's reserve. As a sign of the crop's attractiveness on the islands, all of the 5,354 Kg of Burley quotas offered by *S. Miguel* Burley association were eventually purchased by other members of the same association.

Portugal: Activity Cessation Subsidies Paid to Tobacco Producers

Tobacco Variety	Activity Cessation Subsidy	
	Euros/Kg	Pte/Kg
Group I (Virginia Variety)	0.67741 EUROS/Kg	136 Pte/Kg
Group II (Burley Variety)	0.54187 EUROS/Kg	108 Pte/Kg

1 USD = 236 Pte. 1 USD = 1.18 EURO.

The new quota management system also contemplates inter-variety quota exchange mechanisms. In 1999, 200 Mt of Burley quotas were temporarily transferred into Virginia. This amount eventually was converted to only 160 Mt of Virginia, due to difference in subsidy levels between Virginia and Burley tobaccos, and from the EU cost freeze policy.

The new tobacco policy had a considerable impact upon the sector during its first year of application, in 1999, when new quota management and activity cessation mechanisms encouraged the less competitive farmers to abandon activity. The total impact of activity cessation mechanisms is expected to have less impact in 2000 and 2001. The subsidy modulation system (see below), will further contribute to the re-structure of the local tobacco sector till 2001.

Prices and Subsidies

Minimum tobacco prices are set by the EU, which are adjusted based on the quality of harvested tobacco in according to quality grades defined in Annex III of EU Regulation 2828/98.

Producer subsidies, or premium in EU terminology, are also set by the EU for tobacco that meets minimum quality standards, with 22% moisture. EU Premiums in effect during 1999, 2000 and 2001, are indicated in table below.

Tobacco Premium for the 1999, 2000 & 2001 Harvests (*)

Varietal Group	Variety	Total Premium	
		EUROS/Kg	PTE/Kg
Group I	Virginia	2.98062	598
Group II	Burley	2.38423	478

(*) EU Council Reg. 660/1999, dated March 22.

In order to discourage production of lower-quality tobacco, the 1998 EU tobacco reform introduced the modulation concept in the tobacco subsidy regime. Total producer subsidies are now composed of three parts: (a) a fixed subsidy, (b) a variable subsidy, and (c) the so-called specific subsidy, accounting for no more than two percent of total subsidy which is paid to the producer association.

The modulating character of the new system is conveyed by the variable subsidy, to which only tobaccos of the higher quality grades are eligible. In accordance with EU legislation, the lower eligibility limit is set at 40 percent of minimum EU price above minimum price; tobaccos of inferior quality, which are sold below that limit are not eligible. The measure strongly penalizes lower quality tobaccos, and is expected to have a significant effect on the sector. In order to give tobacco producers more time to adjust, the measure is to be introduced gradually during 1999 to 2001. The variable subsidy is to account for 20, 25 and 30 percent share of total subsidy paid in 1999, 2000 and 2001 respectively. In Portugal, the subsidy modulation already has had some effects in 1999, with *Agrotab S.A.* reporting that the 1999 tobacco crop had a higher share of grades "A" and "B" tobacco than before.

The tobacco subsidy breakdown during 1999, 2000 and 2001 are given in table below. Total 1999 EU subsidy expenditure is also indicated in following table.

Tobacco Premium Breakdown during 1999, 2000 and 2001 (Pte/Kg)

Time	Total Premium	Community Fund (2% of Total Premium)	Variable Part	Specific Subsidy (2% of Total Premium)	Fixed Part
Virginia					
1999	598	11.95	119.60	11.95	454.50
2000	598	11.95	149.50	11.95	424.60
2001	598	11.95	209.30	11.95	364.80
Burley					
1999	478	9.56	95.60	9.56	363.28
2000	478	9.56	119.50	9.56	339.38
2001	478	9.56	167.30	9.56	291.58

Portugal: Total Payments of Tobacco Producer Subsidies During 1999

Region	Burley			Virginia		
	Producers (Number)	Quantity (Mt)	Total Amount (1,000 USD)	Producers (Number)	Quantity (Mt)	Total Amount (1,000 USD)
<i>Entre Douro e Minho</i>	-	-	-	-	-	-
<i>Trás-os-Montes</i>	4	2	3	-	-	-
<i>Beira Litoral</i>	313	637	1,190	-	-	-
<i>Beira Interior</i>	3	1	3	73	4,079	11,953
<i>Ribatejo e Oeste</i>	-	-	-	3	243	719
<i>Alentejo</i>	-	-	-	14	1,156	3,377
<i>Açores</i>	146	178	414	-	-	-
Total	466	818	1,610	90	5,477	16,049

SOURCE: NATIONAL GUARANTEE INSTITUTE INGA; UN-CORRECTED DATA. 1 USD = 200 PTE

Marketing

Marketing Channels

Tobacco leaf produced on mainland Portugal is purchased by *Agrotab, S.A.*, a *Tabaqueira S.A.*-controlled company. *Agrotab S.A.* performs first level tobacco processing, finishing the drying of the leaves and producing the leaf strips. Imported tobacco is brought in by *Tabaqueira S.A.*.

Commodity Name: Unmanufactured Tobacco, Flue Cured

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Tobacco,Unmfg.,Flue Cured				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	2478	1885	0	1852	0	1835
Beginning Stocks	85	85	85	85	0	100
Farm Sales Weight Prod	4995	4986	0	5249	0	5200
Dry Weight Production	4500	4487	0	4724	0	4680
U.S. Leaf Imports	0	488	0	4000	0	4500
Other Foreign Imports	4000	2982	0	1400	0	2100
TOTAL Imports	4000	3470	0	5400	0	6600
TOTAL SUPPLY	8585	8042	85	10209	0	11380
Exports	2158	2080	0	3500	0	3300
Dom. Leaf Consumption	2342	2000	0	1225	0	1380
U.S. Leaf Dom. Consum.	0	400	0	4000	0	4500
Other Foreign Consump.	4000	3477	0	1384	0	2100
TOTAL Dom. Consumption	6342	5877	0	6609	0	7980
TOTAL Disappearance	8500	7957	0	10109	0	11280
Ending Stocks	85	85	0	100	0	100
TOTAL DISTRIBUTION	8585	8042	0	10209	0	11380

Commodity Outlook, Production

Portuguese total 1999 Virginia tobacco production decreased by four percent relative to 1998 levels. This resulted from the effects of the 1998 EU tobacco reform discouraging cultivation in less productive areas and stimulating activity cessation (please see Policy section under Total Manufactured Tobacco). This decrease was further aggravated by poor weather conditions during the crop's harvest, which reportedly led to significant yield reductions in large areas in key Virginia *Idanha-a-Nova* district.

While a small reduction in total 2000 Virginia area is reported by mainland Portugal tobacco leaf buyer *Agrotab S. A.*, a moderate increase in production is anticipated by *Agrotab S.A.* due to generally improved weather conditions. Flue cured tobacco is exclusively grown on mainland Portugal, where it is cultivated in the *Beira Interior*, *Alentejo* and *Ribatejo e Oeste* regions.

Consumption

See "Total Unmanufactured Tobacco - Consumption".

Trade

Spurred by increasing local tobacco manufacturing (please see Manufactured Tobacco, Cigarettes), Portuguese total Virginia imports expanded significantly during Jan/May 2000 relative to the similar period in 1999. This expansion included increased imports from the United States, due to the need to replace Cuba as a tobacco origin by Phillip Morris-controlled *Tabaqueira S.A.*. Due to expected expansion in local cigarette manufacturing during 2001, and the continuation of a roughly stable tobacco blend composition, Virginia tobacco imports are expected to increase in 2001 as well.

Though Portugal is a deficit tobacco country, un-manufactured Virginia tobacco exports are considerable, as a large share of the production is considered to have mere "filler" properties for cigarette manufacturing. Total Portuguese Virginia exports are expected to remain significant in 2001. Though the forecast for a reduction in production will moderate this somewhat.

Un-manufactured Virginia tobacco Trade Matrices for 1998 & 1999, and Jan/May 1999 & 2000 are provided below. Data has been provided by the national statistics agency INE.

Trade Matrix (Jan/Dec-1998 & 1999)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan/Decemb.	Units:	Metric Tons
Imports for:	1998		1999
U.S.	36	U.S.	480
Others		Others	
EU	105	Belgium	293
Zimbabwe	1849	Italy	234
Brazil	574	Netherlands	210
Tanzania	432	Other EU	151
Malawi	259	Zimbabwe	976
Argentina	101	Brazil	859
Turkey	100	Tanzania	172
Burundi	86	Zambia	69
		Malawi	26
Total for Others	3506		2990
Others not Listed	0		0
Grand Total	3542		3470

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan/Decemb.	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Italy	574	Italy	745
U.K.	462	Belgium	321
Belgium	416	France	108
Other EU	84	Other EU	129
S. Africa	1240	Egypt	594
Slovakia	496	Lebanon	113
Algeria	390		
Uruguay	198		
Egypt	139		
Total for Others	3999		2010
Others not Listed	185		70
Grand Total	4184		2080

Trade Matrix (Jan/May 1999 & 2000)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan/May	Units:	Metric Tons
Imports for:	1999		2000
U.S.	187	U.S.	1747
Others		Others	
EU	0	EU	37
Brazil	351	Brazil	1316
Zimbabwe	273	Zimbabwe	175
Zambia	69	India	69
Tanzania	34	Malawi	43
		Zambia	35
		Zimbabwe	16
Total for Others	727		1691
Others not Listed	0		19
Grand Total	914		3457

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan/May	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Italy	352	Italy	598
Other EU	153	Other EU	170
Egypt	198	Algeria	800
Lebanon	75	Canada	79
Canada	29	Russia	30
Total for Others	807		1677
Others not Listed	5		41
Grand Total	812		1718

Commodity Outlook, Policy

See "Total Un-manufactured Tobacco - Policy".

Commodity Name: Unmanufactured Tobacco, Burley

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	431	308	0	280	0	270
Beginning Stocks	200	200	200	100	0	100
Farm Sales Weight Prod	1231	938	0	944	0	911
Dry Weight Production	1091	844	0	850	0	820
U.S. Leaf Imports	0	436	0	3300	0	3400
Other Foreign Imports	3128	2235	0	1200	0	1800
TOTAL Imports	3128	2671	0	4500	0	5200
TOTAL SUPPLY	4419	3715	200	5450	0	6120
Exports	250	603	0	1000	0	900
Dom. Leaf Consumption	750	241	0	50	0	50
U.S. Leaf Dom. Consum.	35	400	0	3300	0	3400
Other Foreign Consump.	3184	2371	0	1000	0	1670
TOTAL Dom. Consumption	3969	3012	0	4350	0	5120
TOTAL Disappearance	4219	3615	0	5350	0	6020
Ending Stocks	200	100	0	100	0	100
TOTAL DISTRIBUTION	4419	3715	0	5450	0	6120

Production

Portuguese 1999 Burley tobacco production suffered a significant reduction relative to 1998 levels due to the reduction in Burley cultivated areas in mainland Portugal. Another moderate area reduction had been reported by *Agrotab* and Azorean *Fábrica de Tabacos Estrela*, in association with the activity cessation induced by the 1998 Tobacco Reform. Due to improved yields, 2000 Burley production is likely to remain slightly above 1999 levels. Burley area and production are forecast to suffer a small reduction in 2001, due to the EU activity cessation programs, and to the discouraging of low-quality tobacco production.

Burley is primarily cultivated in *Beira Litoral*, in mainland Portugal, and in the mid-Atlantic Azorean island of *S. Miguel*. Burley cultivated in certain parts of mainland Portugal and in the Azores is said to have some "Burley character", that is, a fair quality standard, as opposed to the generally poorer-quality Virginia. However, Burley production is affected by comparatively lower EU subsidies, as well as by the small size of

Burley farms. In the Azores, the crop remains attractive due to a relatively high product quality, and the existence of a special subsidy conveyed under the special EU ultra-peripheral regions program POSEIMA of 0.2 EUROS/Kg (1 USD = 1.18 EURO). Nevertheless, the average 0.35 ha property dimension remains critical for any future development of the sector. Another critical development that is emerging on the islands is the limited attractiveness of buying tobacco locally, compared to bringing the tobacco strips from mainland Portugal, an option which has already been adopted by one of the Azores cigarette manufacturers.

Mainland Burley tobacco is purchased by *Agrotab, S.A.*, which performs the final drying of the leaves and produces the tobacco strips. In the Azores, the two local tobacco manufacturers, who until recently bought the entire local production, made an agreement during the current year to concentrate all agriculture-related issues in only one of them, *Fábrica de Tabacos Estrela (FTE)*. The other processor - *Fábrica de Tabacos Micaelense (FTM)* - now only processes tobacco blends sent in from mainland Portugal by *Tabaqueira S.A.*, who indirectly also controls the company (see more under Cigarettes). Although it handles all tobacco purchasing on behalf of the Azorean industry, FTE is presently in fact sending all locally-purchased Burley tobacco to mainland Portugal to undergo first level processing in *Agrotab, S.A.*, reportedly a transitional measure due to last only while an FTE factory renovation project is being implemented.

Consumption

Please see "Total manufactured tobacco - Consumption".

Trade

Spurred by increased local tobacco manufacturing activity, Portuguese Jan/May 2000 Burley tobacco imports had a major expansion relative to import levels during the similar period in 1999. Given current cigarette manufacturing trends (please see Cigarette section), and the quality restrictions of locally-produced Burley tobacco outputs, national Burley tobacco imports are expected to expand in 2001 as well. With Burley tobacco being one of the basic tobacco types used to produce tobacco blends for cigarette manufacturing, Burley tobacco imports are expected to remain high over the medium-term future.

Though Portugal is a deficit Burley tobacco producer, total Jan/May 2000 burley tobacco exports increased significantly compared to the similar period in 1999. This resulted from the recent concentration of Azorean Burley tobacco in *Agrotab, S.A.*, and the limited suitability of locally-cultivated Burley (even if higher than that of Virginia tobacco) for the production of tobacco blends for manufacturing. Due to the forecast reduction in local 2001 Burley tobacco production, national exports of Burley tobacco are forecast to decrease in 2001 as well.

Below please find Burley tobacco trade matrices for Jan/Dec 1998 & 1999, and Jan/May 1999 & Jan/May 2000, with data issued by the national statistics office INE.

Trade Matrix (Jan/Dec-1998 & 1999)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan/Decemb.	Units:	Metric Tons
Imports for:	1998		1999
U.S.	61	U.S.	436
Others		Others	
EU	0	Italy	139
Malawi	1222	Other EU/France	65
Mexico	167	Malawi	1491
Guatemala	161	Brazil	343
Brazil	110	Mexico	137
Argentina	48	Argentina	60
India	13		
Total for Others	1721		2235
Others not Listed	0		0
Grand Total	1782		2671

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan/Decemb.	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Italy	552	Italy	602
Netherlands	22	Switzerland	1
Angola	58		
Switzerland	1		
Total for Others	633		603
Others not Listed	0		0
Grand Total	633		603

Trade Matrix (Jan/May 1999 & 2000)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan/May	Units:	Metric Tons
Imports for:	1999		2000
U.S.	126	U.S.	1378
Others		Others	
EU	0	EU (Netherlands)	142
Brazil	140	Argentina	447
Malawi	130	Brazil	439
Mexico	81	Malawi	70
Argentina	4		
Total for Others	355		1098
Others not Listed	0		0
Grand Total	481		2476

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan/May	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Italy	201	Italy	522
Total for Others	201		522
Others not Listed	0		0
Grand Total	201		522

Commodity Outlook, Policy

See "Total Unmanufactured Tobacco - Policy".

Commodity Name: Manufactured Tobacco, Cigarettes

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	13500	16501	0	19843	0	20700
Non-Filter Production	600	600	0	600	0	600
TOTAL Production	14100	17101	0	20443	0	21300
Imports	2500	2008	0	1606	0	1300
TOTAL SUPPLY	16600	19109	0	22049	0	22600
Exports	125	1893	0	3800	0	4200
Domestic Consumption	16475	17216	0	18249	0	18400
TOTAL DISTRIBUTION	16600	19109	0	22049	0	22600

Production

General

Due to the effects of the re-structuring of mainland Portugal tobacco monopoly *Tabaqueira S.A.*, Portuguese 1999 total cigarette production had a significant expansion over 1998 levels. *Tabaqueira S.A.* reports that during 1999, it produced 16.8 billion cigarette pieces, of which 60 percent were Portuguese cigarette classics like the *SG Family* and *Português Suave* brands. The rest of the production was constituted by Phillip Morris global labels, including “LM”, “Chesterfield” and “Marlboro, produced for the local as well as other EU markets.

Another output expansion is expected to take place in 2000 due to the effects of boosted *Tabaqueira S.A.* manufacturing activities, with the company having surpassed its 20 million cigarette piece production goal set for 2000. Another cigarette output expansion is forecast for 2001, with *Tabaqueira* management reporting that the company is to reach a 21 million piece production target during the coming year, to be largely fueled by the company’s projected exports. In addition to mainland Portugal *Tabaqueira S.A.*, there are two cigarette manufacturers in the Azorean islands, *Fábrica de Tabacos Micaelense* (FTM), in-directly controlled by *Tabaqueira S.A.* (see Industry Structure below), and *Fábrica de Tabacos Estrela* (FTE), both located in the main *Azores S. Miguel* island. AgOffice sources report that during the current year, FTM started manufacturing Marlboro cigarettes under Phillip Morris licensing, and *Português Suave* without filters under a sub-contract regime for *Tabaqueira*. Marlboro is destined for the Azores and Madeira markets, while *Português Suave* is destined for the mainland Portugal market. FTE, which is owned by *Madeiran Empresa Madeirense de Tabacos*, also manufactures its own brands of cigarettes, reportedly destined for the *Azores* and *Madeira*

markets.

Industry Structure

The Portuguese tobacco manufacturing industry is highly concentrated, with the bulk of cigarette production being concentrated in the single mainland Portugal tobacco manufacturer *Tabaqueira, S.A.*. In addition to *Tabaqueira*, the Portuguese cigarette manufacturing sector is composed of *Empresa Madeirense de Tabacos* (EMT) and *Fábrica de Tabacos Micaelense* (FTM), both manufacturing a modest share of total national cigarette production.

For many years a State-run company, *Tabaqueira* entered a privatization process in 1996, when 65 percent of company capital was offered for sale, to be eventually purchased by the consortium formed by Phillip Morris and the local Mello group (the PMM consortium). In September 1999, PMM purchased another 25 percent of the company's capital which was offered for sale, with Phillip Morris recently reporting that through its capital purchasing policy, PMM currently controls 99.15 percent of *Tabaqueira S.A.* total capital.

After the 1996 *Tabaqueira* purchase, a turnaround strategy was pursued by new management, which involved a process of industrial modernization and cost rationalization. As part of company re-structuring, a revision of *Tabaqueira S.A.*'s portfolio of investments was also made, to concentrate resources in the main business and abandon all peripheral activities. Following the sale in early 1997 of the *Tabaqueira*-controlled distribution system (also one of the privatization conditions negotiated with the local authorities before the 1996 *Tabaqueira* sale), the company sold its participation in a number of other investments un-related to its main core business. *Tabaqueira*'s most significant investments are presently concentrated in the tobacco field, namely in *Agrotab S.A.* (99.24% of capital) and *Sociedade Atlântica de Investimentos* (66.67% of capital), through which it controls FTM.

Production Policy

As part of *Tabaqueira*'s new modernization investments and cost rationalization strategies, manufacturing of both Phillip Morris international brands and traditional Portuguese cigarette brands became concentrated in *Tabaqueira*'s *Albarraque* factory near-Lisbon. Manufacturing of cheroots and cigarellos was transferred to Azorean FTM, also in-directly controlled by *Tabaqueira* through its *Sociedade Atlântica de Investimentos* subsidiary. Manufacturing of Marlboro destined to the islands market, and *Tabaqueira* classic *Português Suave* without filter, to be sold on mainland Portugal, were also transferred to FTM, which, in addition to other management and distribution benefits, conveys *Tabaqueira* benefits derived from the island's special tobacco tax breaks.

After a reported expense of total \$ 235 million purchasing *Tabaqueira* shares, another \$ 34 million in investments during 1996-2000 (to which another \$ 10 million will reportedly be added by the end of 2001), *Tabaqueira* went from a reported net loss of \$ 1.8 million in 1996 to a \$ 14 million profit in 1999. Forecast a 21 billion cigarette piece output in 2001, *Tabaqueira* management continues to consider further investment in production capacity by yet another 50 percent. If an output increase would make sense in terms of group strategy, some barriers related to the local legal environment towards the tobacco industry could be critical.

Accounting for only 1.8 percent of the Philip Morris group sales revenues, Tabaqueira has a strategic importance to the group, as the only factory of the group located in the south of Europe. This location makes the company an ideal base for Phillip Morris to supply Southern European countries like Spain, France and Italy, to where in fact, "L&M", "Marlboro" and "Chesterfield" manufactured in the Tabaqueira Albarraque plant are currently being exported. Simultaneously, the Portuguese market has not been neglected, and great attention has been devoted to the product upgrading needs of the Tabaqueira's cigarette classics. A special success of this policy is reported to be the re-launching of a renovated *Português Suave* brand with new packaging in May of 1999, to boost sales up to a reported 10 percent share of the local cigarette market, considerably above 1999 levels (see also Consumption section). Local fiscal policies, among the hardest in Europe, and strong anti-smoking laws are among the most important restrictions affecting the company. According to Tabaqueira, 79.6 percent of total 1999 company income went into taxes which, considering the 9 percent wholesaling margins, leaves production margins at some 11.4 percent. A different fiscal regime applies in the Azores and Madeira islands. In these regions, total tax incidence of manufactured tobacco is reduced to some 40 percent.

Consumption

Portuguese 1999 cigarette consumption was reportedly 17.216 Billion pieces, 5.4 percent above 1998 levels. This large expansion was largely attributed to the demand peak caused by the 2000 New Year's Eve celebrations. In spite of anti-smoking legislation, frequent anti-smoking campaigns - some financially backed by Tabaqueira - and prohibition to advertize tobacco, local cigarette consumption is forecast to increase moderately in 2000 and in 2001 due to the accrued demand from specific market segments, including women and certain market layers of younger generations.

Due to the local manufacturing of Phillip Morris cigarette brands, *Tabaqueira's* domestic sales have been climbing since the company was privatized in 1996. In 1999, Tabaqueira's total market share was of 89.5 percent (73 percent in 1996), in any case under the joint *Tabaqueira & Phillip Morris* 1996 market share of 95 percent. British American Tobacco's "Lucky Strike" and "Pall Mall", and the brands manufactured by Spanish Tabacalera and by the French SEITA-controlled Altadis, by CITA, and by Japan Tobacco Company account for the competition of imported cigarette brands. While Tabaqueira is concerned with the image and market positioning of local traditional brands, these have been affected by the increasing exposure of international cigarette brands, including Phillip Morris's, and by the fair pricing policies of these brands. The table below illustrates changes operated in the local cigarette consumption mix during the past decade.

Portugal: Comparative 1990 & 1999 Cigarette Market Shares

Year: 1990	Market Share (%)	Year: 1999	Market Share (%)
SG Filtro	32.0	SG Ventil	17.99
SG Gigante	31.0	SG Filtro	14.98
SG Ventil	11.4	Marlboro K. Size	13.61
SG Lights	7.7	SG Gigante	12.89
Português Suave Long Size	6.2	Marlboro Lights	6.33
Marlboro Family	0.6	LM Lights	4.50
All Other	11.1	SG Lights	4.43
		Coronas	2.50
		Português Suave Lights	2.10
		Japanese Tobacco Company Family	2.00
		All Other	18.67
Market Share of leading Portuguese brands	88.3	Market share of leading Portuguese brands	52.39

Profiting from its expanded production capacity, *Tabaqueira S.A.* plans to capture 90 percent of total domestic cigarette sales over the medium-term future, displacing some imported brand sales. In addition to a renovated cigarette manufacturing unit, global Phillip Morris brands are also favored by recent changes in the cigarette consumption tax regime, which benefits higher-priced cigarette brands (see Policy).

Trade**General**

After an import peak in 1999 caused by the exceptional local cigarette demand, national 2000 imports of cigarettes are expected to decrease, displaced by domestically produced Phillip Morris brands. Imports are led by Spanish Coronas and by Rothmans, Dunhill and Peter Stuyvesant cigarettes which are brought in from the Netherlands. Another reduction in total national cigarette imports is forecast for 2001 according to forecasted *Tabaqueira* production trends.

Due to *Tabaqueira's* strong export vocation as part of Phillip Morris group, local cigarette exports are to have a significant expansion during 2000. Another expansion is forecast for 2001.

Trade Matrices for Jan/Dec 1998 & 1999, and for Jan/May 1999 & 2000 with information issued by the national statistics office INE are given in Tables below.

Trade Matrix (Jan/Dec.1998 & 1999)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan/Decemb.	Units:	1,000 Pieces
Imports for:	1998		1999
U.S.	14	U.S.	16
Others		Others	
Spain	747145	Spain	796712
Belgium-Lux	538980	Belgium	456850
Netherlands	501335	Netherlands	407052
U.K.	149750	U.K.	231474
Germany	45257	Germany	95821
Denmark	5500	Denmark	8320
France	4785	France	5925
Greece	4397	Greece	5873
Switzerland	5	Switzerland	147
Turkey	1	Ships	21
Total for Others	1997155		2008195
Others not Listed	1		0
Grand Total	1997170		2008211

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan/Decemb.	Units:	1,000 Pieces
Exports for:	1998		1999
U.S.	30725	U.S.	0
Others		Others	
Netherlands	282052	Netherlands	945143
France	67020	Germany	347940
Belgium	3115	France	74862
Other EU(Spain)	1	Spain	52160
Ships	25230	Belgium	2570
Angola	14177	Other EU (Lux.)	2030
Cyprus	7165	Ships	313729
Bosnia	3700	Melisla	64441
Andorra	1100	Poland	42900
Cape Verde	968	Ceuta	7488
Total for Others	404528		1853263
Others not Listed	1754		39767
Grand Total	437007		1893030

Trade Matrix (Jan/May 1999 & 2000)

Import Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan/May	Units:	1,000 Pieces
Imports for:	1999		2000
U.S.	12	U.S.	4
Others		Others	
Spain	374130	Spain	248895
Belgium	250475	Netherlands	215585
Netherlands	156032	U.K.	111292
U.K.	105714	Belgium	81845
Germany	41173	Germany	39566
Greece	1960	France	6590
France	950	Denmark	6100
Switzerland	60	Greece	4879
		Switzerland	29
Total for Others	930494		714781
Others not Listed	0		0
Grand Total	930506		714785

Export Trade Matrix			
Country	Portugal		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan/May	Units:	1,000 Pieces
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Netherlands	242370	Netherlands	1096263
France	33887	Germany	351042
Spain	9512	Spain	51716
Belgium	1195	Belgium	15815
Luxembourg	1070	Ireland	14065
Ships	292758	France	13860
Poland	42900	Melisla	29470
		Ships	18121
		Andorra	10335
Total for Others	623692		1600687
Others not Listed	32480		7906
Grand Total	656172		1608593

Policy

Consumption Tax Regime

As part of the EU, Portugal applies the EU consumption tax regime, in which a so-called "fixed tax", an ad valorem and a VAT apply to cigarette sales. Within the range of taxation levels allowed by EU legislation, the Portuguese regime is among the EU's highest, and highly penalizing for consumption. Changes introduced in May of 1999 (see Table below) have reportedly favored higher prices cigarettes with sales prices above 362.5 Pte/Pack negatively affecting all other brands with prices under that limit.

Portugal: Current Cigarette Consumption Tax Regime

	Until May 1999	After May 1999
Specific Tax	4,400 Pte/1,000 Pieces	5,800 Pte/ 1,000 Pieces
Ad Valorem	40 % of sales price	32 % of Sales Price
VAT	14.53 %	14.53 %

Marketing

Distribution

Imported cigarettes are brought in by the local representatives of the leading international tobacco brands, including Rothmans, B.A.T, J.T.I., CITA, Gallagher, SEITA and Reemtsa. Tobacco shops, bars and traditional small restaurants account for the bulk of cigarette retail sales. The importance of traditional tobacco shops in total national sales has been declining, reportedly due to rising theft problems. Machine vendors, presently ranging between 3 and 5,000 units, are reportedly an expanding sales point network. Due to *Tabaqueira's* dimension and financial capacity, which enables it to offer attractive distribution conditions, a large majority of these machines reportedly carries *Tabaqueira* brands.

Commodity Name: Manufactured Tobacco, Cheroot & Cigarell

PSD Table						
Country	Portugal					
Commodity	Mfg.,Cigar,Cheroot,Cigarell				(1000 PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/1999		01/1999
Production	0	2371	0	2380	0	2385
Imports	0	39032	0	41000	0	42000
TOTAL SUPPLY	0	41403	0	43380	0	44385
Exports	0	5903	0	5000	0	4500
Domestic Consumption	0	35500	0	38380	0	39885
TOTAL DISTRIBUTION	0	41403	0	43380	0	44385

Production

Total Portuguese 1999 cheroots and cigarello production had a moderate expansion due to increased sales in Portuguese Azores and Madeira islands, which is expected to continue through 2000 and 2001.

Since 1998, local cheroot and cigarello manufacture has been concentrated in the Azores and Madeira islands. The cheroot and cigarello manufacturing industry is presently constituted by *Tabaqueira*-controlled *Fábrica de Tabacos Micaelense* (FTM) and by *Fábrica de Tabacos Estrela* (FTE) in the Azores, as well as by *Empresa Madeirense de Tabacos* (EMT) - who also owns FTE - in the Madeira island. As part of *Tabaqueira's* restructuring, its entire cheroot and cigarello production has been transferred to FTM as of 1998, with the goal of fully exploring the local cheroot & cigarello market. EMT and EMT-controlled FTE also manufacture limited quantities of cheroots and cigarells for the "B" and "C" low-tax island territories, with FTM in particular being known for a high quality production line of cheroots, with high incorporation of manual leaf processing.

Consumption

Under the effects of increased exposure of imported brands, while the recent tobacco industry re-structure created ideal conditions for the exploration of mid-Atlantic Azores and Madeira islands, total national 2000 cheroot and cigarello consumption is expected to increase relative to 1999 levels. Due to reported expansion in cigarello sales in the Madeira islands, a trend considered associated with the local tourism activity, total cheroot and cigarello consumption is forecast to increase in 2001 as well.

Trade**Trade Matrix (Jan/Dec.1998 & 1999)**

Import Trade Matrix			
Country	Portugal		
Commodity	Mfg.,Cigar,Cheroot,Cigarell		
Time period	Jan/Decemb.	Units:	1,000 Pieces
Imports for:	1998		1999
U.S.	812	U.S.	775
Others		Others	
Netherlands	15875	Netherlands	20615
Belgium-Lux	4874	Belgium	6146
Spain	3233	Spain	3762
Germany	2724	Germany	3000
U.K.	2718	U.K.	2018
Denmark	1170	France	1891
Other EU	1947	Other EU	769
Dom. Republic	59	Brazil	33
Switzerland	29	Dom. Republic	23
Honduras	2		
Total for Others	32631		38257
Others not Listed	0		0
Grand Total	33443		39032

Export Trade Matrix			
Country	Portugal		
Commodity	Mfg.,Cigar,Cheroot,Cigarell		
Time period	Jan/Decemb.	Units:	1,000 Pieces
Exports for:	1998		1999
U.S.	2	U.S.	4
Others		Others	
EU	0	Ships	5777
Ships	268	Cyprus	106
Panama	46	Panama	7
Cape Verde	33	Cape Verde	7
Switzerland	5	Taiwan	1
Guinea Bissau	5	Jugoslavia	1
Total for Others	357		5899
Others not Listed	0		0
Grand Total	359		5903

Trade Matrix (Jan/May, 1999 & 2000)

Import Trade Matrix			
Country	Portugal		
Commodity	Mfg.,Cigar,Cheroot,Cigarell		
Time period	Jan/May	Units:	1,000 Pieces
Imports for:	1999		2000
U.S.	449	U.S.	1504
Others		Others	
Netherlands	8704	Spain	8910
Belgium	2210	Netherlands	5841
Spain	1230	France	1936
Germany	1193	Belgium	1875
U.K.	1005	Germany	1761
Other EU	759	U.K.	1316
Brazil	33	Other EU	619
Dom. Republic	11	Ships	51
Total for Others	15145		22309
Others not Listed	0		24
Grand Total	15594		23837

Export Trade Matrix			
Country	Portugal		
Commodity	Mfg.,Cigar,Cheroot,Cigarell		
Time period	Jan/May	Units:	1,000 Pieces
Exports for:	1999		2000
U.S.	4	U.S.	0
Others		Others	
Ships	5309	Ships	87
Cyprus	106	Yugoslavia	1
Taiwan	1		
Total for Others	5416		88
Others not Listed	0		0
Grand Total	5420		88

Policy**Consumption Tax Regime**

As in other EU countries, cheroot & cigarello sales in Portugal are subject to the EU consumption tax regime, whereby sales are subject to a fixed, so-called “special consumption tax”, in addition to VAT. Under the flexibility allowed by EU legislation, the applied local total consumption tax is higher than in other EU countries. In addition to effects upon the margins of local cheroot and cigarello manufacturers, or importers, the

situation also leads to market distortions, as a significant share of mainland Portugal consumption is purchased in Spain, where the local fiscal policy is less penalizing to sales.

Incidence of local taxes, as well as wholesaler, importer and producer margins in the sales price of cheroots and cigarellas, both in Portugal and in Spain, are given in Table below.

**Portugal: Cigar & Cigarello Consumption Tax and Producer/Wholesaler/
Importer Margins**

Special Consumption Tax (*)	VAT (*)	Wholesaler	Importer	Manufacturer
Portugal				
26.21%	14.53 %	18.91 %	16.22 %	24.13 %
Spain				
9.00 %	13.80 %	12.50 %	25.00 %	3.70 %

(*) Unchanged since 1993/94.