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Portugal

Grain and Feed

Early Drought Transformed into Bumper Winter Grain Harvest 2000

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Report Highlights:

Rainy Spring weather enabled wheat average yields to increase 10% over 1999, leading to a 2000 forecast of 454,000 mt (375,000 mt in 1999). With average yields up by 15% relative to 1999, 2000 barley output will reach 48,000 mt (45,000 mt in 1999). Due to a reduction in Spring crop areas, 2000 corn output will total 900,000 mt (1,014,000 mt in 1999). Winter grain 2000/01 imports will drop as a consequence of the bumper crop. Nevertheless, the U.S. is expected to export 80,000 mt of high quality wheat to blend with the low quality 2000 wheat crop. 1 USD = 226 PTE.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

An increase in winter grain area due to fair Winter weather conditions, and improved yields as a consequence of intensive rainfall during April and May have led to a bumper 2000 winter grain harvest. AgOffice estimates total 2000 wheat production at 454,000 mt (375,00 mt in 1999), and total barley production at 48,000 mt (45,000 mt in 1999). The crop year was not as successful for irrigated Spring crops, which lacked water in early Spring, and following heavy rains which affected normal seedings and vegetative development. With a total area of 174,000 ha (190,000 ha in 1999), 2000 corn production is forecast at 900,000 mt (1,014,000 mt in 1999), and with an area of 22,000 ha (25,000 ha in 1999), 2000 milled rice production is forecast at 90,000 mt (114,000 mt in 1999).

Subject to the Common Agricultural Policy (CAP), the Portuguese grain sector continues to benefit from a special local EU co-financed subsidy regime, due to terminate in 2002/03. Due to the importance of the grain sector in social terms, the GOP managed to secure in the July EU Council Meeting the approval for the special local EU co-financed grains subsidies to remain unchanged in 2001/02. This achievement, to be likely extended for 2002/03, and maybe even transformed into a new subsidy program beyond 2003, represents an important financial cushion for national grain producers, and if extended, an important factor for the sector's medium-term restructuring. As for the rice sector, the EU Commission-proposed Rice Reform is viewed as a step towards disaster, leading to producer-estimated 22,000 Pte/ha net farmer income losses. The end of the intervention regime and the inclusion of rice in the arable crops regime is considered unacceptable by Portuguese rice producers and local authorities.

The increased Winter grain production will lead to a decline in total 2000/01 winter grain imports. AgOffice forecasts 2000/01 total wheat imports of 1.26 million mt, and barley imports at 183,000 mt. Due to the reduced 2000 crops, corn and rice imports are forecast to increase to roughly 1.21 million mt and 114,000 mt respectively (935,000 and 103,000 mt in 1999). Due to U.S. and EU policy differences on biotechnology, U.S. exporters will still not be able to ship corn into Portugal during 2000/01 under the 500,000 Mt Blair House corn quota regime. However, the lack of quality of the current wheat crop is stimulating importation of high quality wheat from the United States under the EU's reduced-duty high quality wheat import quota. During 2000/01, 80,000 mt of high quality wheat is forecast to come from the United States into Portugal (48,000 mt in 1999/00), consisting primarily of Northern Spring and Dark Northern Spring wheat number 2.

1 USD = 226 PTE

TOTAL WHEAT

PS&D Table

PSD Table						
Country	Portugal					
Commodity	Wheat					(1000 HA)(1000 MT)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	149	146	240	238	260	262
Beginning Stocks	250	229	200	160	200	186
Production	150	150	375	375	455	454
TOTAL Mkt. Yr. Imports	1359	1275	1200	1300	1200	1260
Jul-Jun Imports	1359	1275	1200	1300	1200	1260
Jul-Jun Import U.S.	24	28	0	48	0	80
TOTAL SUPPLY	1759	1654	1775	1835	1855	1900
TOTAL Mkt. Yr. Exports	93	57	100	110	100	120
Jul-Jun Exports	93	57	100	110	100	120
Feed Dom. Consumption	550	348	550	450	575	500
TOTAL Dom. Consumption	1466	1437	1475	1539	1505	1580
Ending Stocks	200	160	200	186	250	200
TOTAL DISTRIBUTION	1759	1654	1775	1835	1855	1900

PRODUCTION

General

Total wheat area has been revised upward to reflect area estimates released by the national statistics office INE. As earlier reported (see PO0008), 2000 durum wheat area surpassed soft wheat as a consequence of dwindling local grain subsidies. Soft wheat production is eligible for regular EU subsidies (calculated through application of the national Regional Plan's productivity grades), which are accumulated with local subsidies. These so-called "co-financed subsidies", as they are 65% EU-subsidized and 35% nationally-supported, have been decreased and are to be phased out by 2002/03 (for scheduled subsidy levels, check PO0008). At 8.25 Pte/Kg in 2000/01 (10.63 Pte/Kg in 1999/00), total soft wheat subsidies have been largely unable to compete with the high EU durum subsidies, leading the farmers to cultivate durum, far beyond the new EU-assigned durum MGA negotiated under the Agenda 2000 (see also Durum Section). This development is also confirmed by recently released information on Farmer Declared areas by the national guarantee institute INGA. Difference between Declared total wheat areas in Table below and areas given in PS&D Table result from the cultivation of unsubsidized wheat areas.

PORTUGAL: Farmer Declared 1999 & 2000 Cultivated Wheat Areas

(Units: Hectares)

	Soft Wheat		Durum Wheat		Total Wheat	
	1999	2000	1999	2000	1999	2000
- Un-Irrigated Areas	127,383	69,731	60,875	116,606	188,258	186,337
- Irrigated Areas	16,519	11,234	12,160	28,915	28,679	40,149
Total	143,902	80,965	73,035	145,521	216,937	226,486

Source: National Intervention Agency INGA.

Unusually high rainfall in April - May 2000 enabled the crop to recover from a drought-induced stress which affected production during the first months after the seeding. Eventually only marginal areas are reported to have been seriously affected by that early drought, and the crop managed to achieve an average 10 percent yield increase relative to 1999 levels, and a 15 percent increase over the 1995-99 average (source: INE).

However, the unusual 2000 weather patterns resulted in decreases on crop quality. AgOffice sources confirm the lower 2000 wheat crop quality relative to 1999 levels, with a reduced share of grain fit for milling.

Production Policy Changes

The national social relevance of grain production has led the local authorities to develop successive projects to contain farmers dropping average incomes due to full policy harmonization with the EU.

In the July EU Council of Ministers, the GOP secured a significant achievement with the EU approved change in the regressive character of the "co-financed" grain subsidy (see above). The decision concerns the maintenance of the grain co-financed subsidy in 2001/02 at the same level as in 2000/01, while reportedly opening the possibility that the subsidy will remain also unchanged in 2002/03 and even beyond its current limit of 2002/03.

The approved change means the payment of some US\$22.4 million in "co-financed" subsidy to the grain sector in 2001/02, unchanged from 2000/01, instead of the forecasted US\$15.7 million. Another US\$4.5 million reduction would be implemented in 2002/03, unless the end of the regressive character of the subsidy is not effective in 2002/03 as well. Further, local authorities have already announced that when EU grain regime negotiation with the EU comes up at the end of the transition regime in effect through 2002/03, they will defend the maintenance of the "co-financed" subsidy or some other equivalent form of support, which is thought to be justified by the specific characteristics of the sector in Portugal, namely the irregular climate and the low yields.

CONSUMPTION

Local wheat consumption is forecast to increase in 2000/01 due to the increased production and decreased wheat prices. The large 2000 EU wheat harvest and more restrictive WTO-mandated export quotas will depress 2000/01 wheat prices in the EU as a whole, while some market un-stability caused by the liquidation of former grain monopoly EPAC is reported to have caused Portuguese wheat prices to drop at the beginning of the harvest. However, this problem has reportedly been to a large extent resolved by a GOP announcement that the farmers could participate in the management of EPAC's inland silos, and by the assurance that EPAC will provide affordable services during the 2000 harvest.

Wheat consumption for milling is expected to remain stable during 2000/01, while rising importation of flour, bread and pasta could cause soft as well as durum wheat total use to drop moderately. The feed-use segment will expand considerably as a direct reaction to very low prices, which AgOffice sources report to be close to intervention prices. Soft and durum wheat will likely also be used as feed in addition to feed wheat as a consequence of the poor crop quality. The national feed mixers association, representing some 70-75 percent of total national feed mixing activity, reports that its members consumed 110,929 mt of soft wheat and 234,173 mt of feed wheat in CY1999 (56,480 mt and 221,889 mt respectively in 1998), which include un-specified durum quantities.

TRADE

General

National 2000/01 total wheat imports are forecast to suffer a moderate reduction relative to 1999/00 levels. Reduction will be due to feed wheat, whose needs will be largely satisfied by the local crop. Importation of milling wheat is likely to expand moderately on account of the 2000 poor quality wheat crop.

Larger quantities of U.S. wheat will be imported in 2000/01 to meet millers' needs for improving wheat, under the EU reduced-tariff high quality wheat import quota. Due to the poor quality of the 2000 crop, while several trade sources perceive a generally trending down of EU wheat quality as a consequence of CAP production incentives, interest in U.S. wheat for blending with lower-quality milling wheat has been increasing. U.S. wheat imports, consisting presently in Northern Spring and in Dark Northern Spring wheat number 2, is being brought in by a multinational trader in association with a local importer. In according to these sources, some 80,000 Mt of U.S. high quality wheat will be imported during the 2000/01 marketing year.

Factors Affecting the U.S.

Under the EU import regime, only high quality soft wheat can be competitively brought in under the EU reduced-tariff high quality wheat quota.

Climactic factors in the United States restrict the shipping season from the Great Lakes region to the mid-June to mid-December period. Importation of large quantities of cereal during this period can lead to complicated storage problems in Portugal due to limited conveniently-located storage facilities. Logistics problems become extreme when U.S. and Canadian wheat arrivals coincide with imports of corn imported under the 500,000 mt

Blair House quota during the first semester of each calendar year. The current 180-day limit set by EU authorities for Customs clearance, in order for the grain to benefit from the reduced-duty regime of the high quality wheat quota is viewed by the trade as restrictive to higher levels of cereal importation from third countries. The on-going process of privatization of the Lisbon port silos belonging to SILOPOR is another step towards making the situation more complicated for cereals importers and users due to its possible implications for storage space availability and costs. U.S. high quality wheat currently competes with Canadian, French and German high quality wheats.

Matrix, Total Wheat

Import Trade Matrix			
Country	Portugal		
Commodity	Wheat		
Time period	July/April	Units:	Metric Tons
Imports for:	1998		1999
U.S.	22,339	U.S.	38,043
Others		Others	
France	588,088	France	648,682
U.K.	216,657	U.K.	325,506
Spain	97,864	Spain	52,299
Denmark	55,089	Germany	39,982
Netherlands	29,292	Netherlands	31,423
Sweden	25,303	Denmark	14,212
Germany	20,619	Other EU	1,015
Italy	919	Canada	52,452
Hungary	5,476	Turkey	28,650
Turkey	5,188	Kazakhstan	8,686
Total for Others	1,044,495		1,202,907
Others not Listed	2,595		0
Grand Total	1,069,429		1,240,950

Export Trade Matrix			
Country	Portugal		
Commodity	Wheat		
Time period	July/April	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	37,124	Spain	66,173
France	1,536	France	7,489
Netherlands	270		
Total for Others	38,930		73,662
Others not Listed	0		0
Grand Total	38,930		73,662

DURUM WHEAT

PS&D Table

PSD Table						
Country	Portugal					
Commodity	Wheat, Durum					
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin	07/1998		07/1999		07/2000	
Area Harvested	27	27	73	73	120	145
Beginning Stocks	10	10	10	10	8	12
Production	28	28	90	90	118	195
TOTAL Mkt. Yr. Imports	111	111	79	130	68	100
Jul-Jun Imports	111	111	79	130	68	100
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	149	149	179	230	194	307
TOTAL Mkt. Yr. Exports	4	4	5	12	5	20
Jul-Jun Exports	0	0	5	12	5	20
Feed Dom. Consumption	14	96	45	96	60	165
TOTAL Dom. Consumption	135	135	166	206	181	275
Ending Stocks	10	10	8	12	8	12
TOTAL DISTRIBUTION	149	149	179	230	194	307

PRODUCTION

Estimated Portuguese 2000 durum area has been increased to reflect latest cultivated area information. The local farmers' enthusiastic response to the EU US\$314/ha durum subsidy has led to a significant surpassment of the national EU-assigned 118,000 ha durum MGA, with final durum producer incomes being expected to surpass income from soft wheat even considering the subsidy abatements caused by the triggering of EU subsidy penalty mechanisms.

There are no official statistics on durum area. AgOffice 2000 durum area is derived from information recently released by the national guarantee agency INGA on Declared Durum Areas (see Total Wheat Section). Forecast 2000 durum output was calculated on the basis of average 1999-2000 total wheat yield variation reported by INE.

CONSUMPTION

Portuguese durum wheat consumption is forecast to increase in 2000/01 as a consequence of increased feed use. There is presently one single buyer of durum, purchasing the cereal on behalf of the group's locally-based pasta manufacturing plants. This buyer reports that due to poor local crop quality, it buys only some 25,000-30,000 mt of durum wheat locally out of its total estimated annual 100,000-110,000 mt needs.

TRADE

Total 2000/01 durum wheat imports will decline from the previous year due to the larger national durum crop. Reduction will not be very large, as durum importation needs will decline moderately in association with the reported lack of quality of the 2000 durum crop.

Trade Matrix

Import Trade Matrix			
Country	Portugal		
Commodity	Wheat, Durum		
Time period	July/Apr.	Units:	Metric Tons
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	49,167	U.K.	28,061
Netherlands	16,083	France	22,398
France	7,871	Spain	14,120
Germany	6,800	Netherlands	6,479
U.K.	2,750	Germany	3,012
Italy	341	Italy	836
Turkey	5,188	Belgium	26
		Turkey	28,650
Total for Others	88,200		103,582
Others not Listed	0		0
Grand Total	88,200		103,582

Export Trade Matrix			
Country	Portugal		
Commodity	Wheat, Durum		
Time period	July/Apr.	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	2,306	Spain	9,551
France	1,051	France	360
Total for Others	3,357		9,911
Others not Listed	0		0
Grand Total	3,357		9,911

BARLEY

PS&D Table

PSD Table						
Country	Portugal					
Commodity	Barley					(1000 HA)(1000 MT)
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	26	26	24	33	24	31
Beginning Stocks	11	20	20	15	45	23
Production	26	26	45	45	50	48
TOTAL Mkt. Yr. Imports	246	188	225	200	225	183
Oct-Sep Imports	237	187	225	210	225	170
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	283	234	290	260	320	254
TOTAL Mkt. Yr. Exports	3	0	5	3	5	5
Oct-Sep Exports	2	2	5	3	5	5
Feed Dom. Consumption	110	110	90	125	95	120
TOTAL Dom. Consumption	260	219	240	234	245	229
Ending Stocks	20	15	45	23	70	20
TOTAL DISTRIBUTION	283	234	290	260	320	254

PRODUCTION

General

Estimated 2000 barley area and production have been updated to reflect latest area and yield estimates published by the national statistics institute INE. Both 1999 and 2000 area estimates have been revised upward by INE, with a slightly lower 2000 area confirming farmer's transfer from barley into wheat production. The reduction is also confirmed by variations in farmers declared areas reported by the national guarantee institute INGA (see Table below). Comparison between total INE-estimated areas and Declared areas reveals a difference which could be explained by the existence of barley production without subsidy.

Also benefitted by the strong April and May rains, 2000 barley average yields were higher than in the previous year, with INE estimating that they remained 15 percent above 1999 levels, and 29 percent above the 1995-99 average. All of the 2000 crop reportedly consists in feed barley.

PORTUGAL: FARMER DECLARED BARLEY AREAS

Units: Hectares

Year:	1999	2000
Un-Irrigated	22,655	19,890
Irrigated	1,959	1,920
Total	24,615	21,810

UNITS: HECTARES. SOURCE: NATIONAL
INTERVENTION AGENCY INGA

Production Policy

Like most grains, national barley production is eligible for a local EU co-financed subsidy in effect through 2002/03 (for levels, please check PO0008). As with the other eligible grain types, barley production has also benefitted by the GOP success in securing a subsidy freeze during the July EU Council of Ministers meeting (see more under Total Wheat section).

CONSUMPTION

Total barley consumption will tend to drop in 2000/01 due to lower production of feed for the hog sector. Malting barley consumption will tend to remain mostly stable, while direct importation of malt could displace some quantities of malting barley use.

TRADE

Total 2000/01 barley imports are forecast to decrease relative to the previous year as a result of the larger 2000 crop. Reduction will not be very significant on account of the mostly stable malting barley importation needs. Total reduction will be directly associated with lower feed barley imports.

Trade Matrix

Import Trade Matrix			
Country	Portugal		
Commodity	Barley		
Time period	Oct/April	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
France	36,637	Spain	35,754
Spain	35,979	France	33,328
U.K.	20,211	U.K.	25,517
Other EU	9	Germany	11,147
		Other EU	14
Total for Others	92,836		105,760
Others not Listed	0		0
Grand Total	92,836		105,760

Export Trade Matrix			
Country	Portugal		
Commodity	Barley		
Time period	Oct/April	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Spain	22	Spain	1,360
Total for Others	22		1,360
Others not Listed	0		0
Grand Total	22		1,360

CORN

PS&D Table

PSD Table						
Country	Portugal					
Commodity	Corn					
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	193	192	190	190	170	174
Beginning Stocks	137	170	223	180	200	170
Production	1020	1020	1014	1014	900	900
TOTAL Mkt. Yr. Imports	1118	1101	1100	935	1200	1207
Oct-Sep Imports	1060	1036	1100	932	1100	1210
Oct-Sep Import U.S.	0	1	0	1	0	1
TOTAL SUPPLY	2275	2291	2337	2129	2300	2277
TOTAL Mkt. Yr. Exports	2	3	3	14	5	14
Oct-Sep Exports	4	3	3	13	5	15
Feed Dom. Consumption	1900	1815	2000	1652	1950	1800
TOTAL Dom. Consumption	2050	2108	2134	1945	2095	2093
Ending Stocks	223	180	200	170	200	170
TOTAL DISTRIBUTION	2275	2291	2337	2129	2300	2277

PRODUCTION

Estimates have been revised to reflect latest INE 1999 area and production revisions. Estimated 2000 area reflects latest INE estimate, which coincides with Farmer Declared Areas reported by the national guarantee institute INGA (see Table below).

The national corn growers association ANPROMIS reports that very difficult early Spring sowing conditions in the Alentejo due to lack of irrigation water caused estimated Alentejo corn area to decrease by some 10,000 ha as many farmers were forced to cultivate sunflower seeds instead of corn. The remaining area loss was due to other production regions in the country. Same source also reports that alternate drought and heavy rain periods in Spring led to extremely delayed plantings. With corn sowing concentrated in March, before the rains, and in June, after they were over, the 2000 corn harvesting period is forecast to be unusually extensive, starting in August and ending in October, with a three week to one month break.

Current year yields are reportedly similar to last year's for most seeded areas. However, use of lower-yielding short-cycle varieties in some of the later-seeded areas is expected to moderately depress the national average.

PORTUGAL: FARMER DECLARED CORN AREAS IN 1999 & 2000

	1999	2000	1999	2000
	Grain Corn		Corn for Silage	
Un-Irrigated	27,505	27,383	7,988	7,568
Irrigated	162,627	146,382	47,843	50,050
Total	190,131	173,764	55,831	57,617

UNITS: HECTARES. SOURCE: NATIONAL GUARANTEE INSTITUTE INGA.

Production Policy

Like most grains, national corn production is eligible for a local EU co-financed subsidy in effect through 2002/03 (for levels, please check PO0008). As with the other eligible grain types, corn production has been benefitted by the GOP success in securing a subsidy freeze during the July EU Council of Ministers meeting (see more under Total Wheat section).

CONSUMPTION

National 2000/01 corn consumption is expected to decrease relative to 1999/00 levels due to higher prices in the EU. With a basically unchanged human food industry consumption segment, this decline will be due entirely to the feed segment, where significant quantities of corn will tend to be displaced by more favorably priced wheat and Non Grain Feed Ingredients. Another depressing factor is the currently decreasing poultry activity, a key consuming segment.

While market prices tend to decline after the harvest, it is expected that due to the EU 2000 corn area reduction, prices will remain at high levels for the whole 2000/01 corn marketing year. AgOffice sources report that for most of the 1999/00 marketing year, corn was sold for 28 PTE/Kg, equal to the price in key French production areas (some 24 to 25 PTE/Kg) added to transportation costs. The Blair House 500,000 Mt corn import quota causes domestic corn prices to drop by an average of 5 PTE/Kg during the period when the quota corn is in the market, between January and June of each year.

TRADE

The lower 2000 production will tend to boost moderately total national importation of corn. Lack of coordination of biotechnology policies between the EU and the U.S. will likely continue to prevent access of the Portuguese market by U.S. exporters, with the 2000/01 quota continuing foreseeably to be sourced from Argentina and East European countries. For updated corn trade matrices with latest trade information published by the national statistics institute INE, please check table below.

Trade Matrix

Import Trade Matrix			
Country	Portugal		
Commodity	Corn		
Time period	Oct/April	Units:	Metric Tons
Imports for:	1999		2000
U.S.	632	U.S.	643
Others		Others	
France	255,369	France	376,215
Spain	57,200	Spain	34,138
Other EU	5,574	Other EU	1,131
Argentina	161,605	Argentina	75,479
Hungary	124,010	Hungary	53,033
Ukraine	27,894	Romania	42,095
Moldavia	20,333	Yugoslavia	24,977
Yugoslavia	12,067		
Romania	9,068		
Bulgaria	7,465		
Total for Others	680,585		607,068
Others not Listed	1,100		63
Grand Total	682,317		607,774

Export Trade Matrix			
Country	Portugal		
Commodity	Corn		
Time period	Oct/April	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Spain	801	Spain	10,808
Angola	23	Belgium	257
Cape Verde	19	Angola	26
		Cape Verde	26
Total for Others	843		11,117
Others not Listed	1		0
Grand Total	844		11,117

RICE

PS&D Table

PSD Table						
Country	Portugal					
Commodity	Rice, Milled					
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	27	27	26	25	25	22
Beginning Stocks	42	42	39	30	33	26
Milled Production	114	114	114	114	110	90
Rough Production	163	163	163	163	157	129
MILLING RATE (.9999)	7000	7000	7000	7000	7000	7000
TOTAL Imports	130	104	125	103	125	114
Jan-Dec Imports	125	118	125	99	125	114
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	286	260	278	247	268	230
TOTAL Exports	15	15	5	8	5	2
Jan-Dec Exports	5	10	5	8	5	2
TOTAL Dom. Consumption	232	215	240	213	245	210
Ending Stocks	39	30	33	26	18	18
TOTAL DISTRIBUTION	286	260	278	247	268	230

PRODUCTION

General

Rice area and production estimates have been revised to reflect latest area and yield estimates released by the national statistics office INE.

Lack of water in early Spring limited rice seedings and led to a reduction in total 2000 rice area, which is concentrated in the higher-yielding soils of the *Tejo* and *Sado* river basins. The majority of the rice area was seeded to Japonica-type long rice varieties, dominated by *Ariete*, with some 1,600 ha seeded to Indica-type rice dominated by *Thaibonnet*.

Irregular Spring rainfall and temperature levels affected the development of rice, causing 2000 average yields to remain at roughly 90 percent of 1999 levels and at 94 percent of the 1995-99 average (source: INE).

Over the past decade, the Portuguese rice sector has improved structurally and introduced better management practices. Nevertheless, the sector continues to show many weaknesses, which make it highly sensitive to any forms of market liberalization. Among most critical weaknesses identified by a recent independent study are the relatively low yields in Portugal against other EU countries, the dominance of Japonica-type varieties which have been facing a declining consumption trend, and persisting high production costs in spite of the sector's mechanization and new collective input purchase policies which over a span of merely two years caused input costs to drop by 20 percent. While competition from other highly-subsidized crops have relegated rice production to only the more productive, better structured areas, an independent study has identified a total potential rice area in Portugal of 31,500 ha, somewhat under the current EU-assigned 34,000 ha MGA. The existence of production quotas for the more attractive crops (though some potential for improved management practices has also been identified) will tend to maintain future rice production between current levels and identified potential, as long as new production policies do not contemplate a significant farmer income reduction. For compared average irrigated crop producer margins, and potential rice areas, please check Tables below.

Portugal: Gross Margins of Rice and Competing Crops Compared

Crop	1,000 Pte/Ha
Rice	89.6
Sugar Beets	217.3
Tomatoes	455.4
Corn	99.4

SOURCE: OFFICE OF PLANNING

Portugal: Potential Rice Production Areas

Production Regions	Potential Area	Average Rice Yields	Potential Outputs
	Ha	Mt/Ha	Mt
Mondego Valley	7,500	6.0 - 7.0	45,000
Tejo & Sorraia Valleys	12,000	7.0 - 8.5	84,000
Sado Valley; Alentejo & Algarve Irrigated Areas	12,000	6.5 - 8.0	78,000
Total	31,500	-	207,000

SOURCE: OFFICE OF PLANNING

Production Policy

The WTO negotiations and the EU Rice Policy revision are key threats to the Portuguese rice sector, due to the existence of a major price gap with international price levels.

The EU Common Rice Policy revision, presently under discussion, has generated unfavorable reactions on the part of Portugal and other rice producing countries. The elimination of rice intervention mechanisms and the inclusion of rice in the EU Arable Crops regime is considered unacceptable by producers and local authorities. Producers believe that a sector reform based on the EU Commission proposal would cause farmer income losses in the range of 360,000 Pte/ha which would not be off-set by higher subsidies.

CONSUMPTION

Rice 2000/01 consumption is forecast to decrease moderately due to competition from imported pastas and changing consumption patterns. Nevertheless, per capita consumption levels remain at the EU's highest at some 14.5 Kg/hab/year.

Most significant recent market trends refer to the growth of the extra-long "needle", and more recently to the parboiled rice market niche. A recent independent study reveals that "needle" rice accounted in 1998/99 for nearly 40 percent of domestic rice consumption, already close to the EU 45 percent average. As for parboiled rice, on the rise over past years at an average yearly rate of more than 40 percent, it accounts for a market share of less than three percent. Short and medium rice account for little more than two percent of total national rice consumption. Remaining consumption is accounted for by Japonica-type, primarily locally-produced "carolino" rice.

TRADE

Portuguese 2000/01 rice imports are forecast to expand moderately due to the 2000 reduction in production. Extra-long Indica-type "needle" rice, on a sharp rise since the mid-90's, is presently the import market leader, is expected to account for some 75 percent of total 2000/01 rice imports. Relegated to a secondary position, and on a decreasing trend since the mid-90's, Japonica-type medium-rice is expected to account for some 12 percent of total 2000/01 imports.

The bulk of the imports are in the paddy and brown rice forms, with white rice accounting for a minimal share of the total. The bulk of imported Japonica-type rice consists of paddy rice, primarily from France, followed by Italy. The recent replacement of the Antilles with Guiana and Suriname for indica-type rices has been accompanied by a replacement of semi-processed rice with brown and paddy rice, which the industry has found easier to find in these origins.

Trade Matrix

Import Trade Matrix			
Country	Portugal		
Commodity	Rice, Milled		
Time period	Jan/Decemb	Units:	Metric Tons
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	31,909	France	26,153
France	26,205	Spain	24,317
Italy	4,884	Italy	5,763
Greece	2,350	Netherlands	1,487
Netherlands	1,443	Other EU	14
Other EU	162	Guiana	38,367
Guiana	40,620	Suriname	2,582
Suriname	8,257	Dutch Antilles	375
Dutch Antilles	1,909	Thailand	77
Uruguay	382		
Total for Others	118,121		99,135
Others not Listed	225		12
Grand Total	118,346		99,147

Export Trade Matrix			
Country	Portugal		
Commodity	Rice, Milled		
Time period	Jan/Decemb	Units:	Metric Tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Spain	5,133	Netherlands	2,557
Belgium	2,937	U.K.	2,510
U.K.	1,120	Belgium	2,185
Netherlands	634	Spain	1,115
France	517	France	2
Other EU	92	S. Tome & Prince	2
Cape Verde	2,508	Angola	2
Angola	1,013	Mozambique	1
Total for Others	13,954		8,374
Others not Listed	497		
Grand Total	14,451		8,374

Trade Matrix for January to April 1999 & 2000

Import Trade Matrix			
Country	Portugal		
Commodity	Rice, Milled		
Time period	Jan/April	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
France	8,251	Spain	6,943
Spain	8,220	France	4,438
Italy	1,317	Italy	997
Netherlands	286	Other EU	6
Other EU	6	Guiana	11,831
Guiana	14,161	Suriname	6,405
Suriname	1,083	Thailand	38
Thailand	16		
Dutch Antilles	375		
Total for Others	33,715		30,658
Others not Listed	1,745		0
Grand Total	35,460		30,658

Export Trade Matrix			
Country	Portugal		
Commodity	Rice, Milled		
Time period	Jan/April	Units:	Metric Tons
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Netherlands	2,557	Belgium	1,056
Belgium	333	Spain	452
Spain	125	France	50
France	1	Angola	3
S. Tome & Prince	2		
Angola	1		
Total for Others	3,019		1,561
Others not Listed	0		1
Grand Total	3,019		1,562

TRADE POLICY

The EU Rice Common Policy revision in progress will lead to a drastic change in the current rice importing regime, as the proposed elimination of the rice intervention price, the EU Commission contends, will automatically lead to the end of the Margins of Preference regime.