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Portugal

Agricultural Situation

Report

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Report Highlights:
Depressed by unfavorable weather conditions, Portuguese GAP decreased at $ 2.95 Billion in 2000, 5.9 pct below 1999 levels. National GAP is forecast to increase in 2001 to $ 3.1 Billion. Total agricultural volume imports from the United States during Jan/September 2000 had a large 16.6 percent expansion over Jan/Sept 1999 due to increased importation of soybeans, miscellaneous feed ingredients, raw tobacco, specific seafood and wood products, and high-quality wheat. 1 USD = 220 Pte.

Includes PSD changes: No
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Executive Summary

Portuguese 2000 Gross Agricultural Product (GAP) suffered a 5.9 pct reduction relative to 1999 levels, as a consequence of abnormal Winter and Spring weather conditions. A few vegetable products expanded in value due to higher prices, namely olive oil (25 pct increase), table olives (49 pct increase) and wheat (nine pct increase). However, in net terms, the vegetable component of GAP declined by 12.9 pct relative to 1999 levels. As for the livestock sector, an expansion in dairy and eggs production, as well as an increase in pork and poultry meat prices during the last quarter of 2000 after the BSE scandal broke out in Europe, enabled its production value to expand by 12.3 pct over the full-year, supporting local GAP levels. At the level of farmer incomes, GAP values translated into a 13 pct reduction relative to 1999 levels.

National GAP in current value terms is expected to increase in 2001, due to the effects of improved weather conditions. High Winter rainfall levels enabled the filling of dams, creating favorable conditions for Spring crop irrigation. In the livestock sector, hog and poultry production value is expected to remain above 2000 levels, compensating for a moderate forecasted reduction in cattle slaughter rates. In the medium-term, Portuguese GAP in value terms is expected to undergo a decline in arable crop prices, under the influences of Agenda 2000 reforms. Further, generally liberalizing trends (in terms of reduced subsidy levels), increasingly restrictive EU environmental and animal welfare requirements, and EU-enlargement to the East are other constraining factors which will also affect Portuguese agriculture in the medium-term.

Portuguese agricultural product imports suffered a three pct volume reduction during Jan/Sept 2000, relative to the same period in 1999. Total seafood imports decreased by 10.5 pct in association with local consumption trends, and total grain imports deceased by 9.4 pct due to the higher 1999/00 grain production. Raw sugar and soybean meal imports declined by 18.2 and 28.4 pct respectively, in association with increased domestic sugar beet and soybean meal outputs. Due to the forecasted increase in 2001 agricultural production, total agricultural imports are expected to suffer a moderate reduction. However, over the medium-term, national agricultural value imports are expected to increase generally, as a consequence of depressed domestic agricultural production levels. Total agricultural volume imports from the United States expanded during Jan/Sept 2000 by a large 16.6 pct relative to the same period in 1999, due to increased imports of soybeans, miscellaneous feed ingredients, wheat and specific seafood and wood products. Trade with the United States remains highly concentrated, with raw hides, cotton, soybeans, raw tobacco, high-quality wheat, beans and bourbon accounting for 94 pct of total Jan/Sept 2000 agricultural value imports. Total agricultural volume imports from the United States are likely to expand moderately in 2001, given forecasted increases in imports of soybeans, raw tobacco and high quality wheat, among others. The liberalization trends in international trade, and the increasing prices of seafood and wood products in European markets may induce higher Portuguese imports of agricultural products from the United States over the long-term, though further restrictions with regard to biotechnology and other EU regulatory requirements threaten certain important sectors.

1 USD = 220 Pte

General Outlook for the Agricultural Sector

Portuguese 2000 GAP suffered a 5.9 pct reduction relative to 1999 levels, as a consequence of abnormal Winter and Spring weather conditions. Very dry winter Weather conditions restricted Spring crop irrigation, while unusually high rain levels, accompanied by low temperatures in Spring affected the vegetative development of vineyards and orchards, leading to depressed productions of wine (26 pct under 1999 values), potatoes (23 pct decrease), and fresh fruits (21 pct decrease). A few vegetable products expanded in value due to increased producer prices, preventing a larger reduction in national GAP. Olive oil production rose by an estimated 25 pct, table olives by 49 pct and wheat by 9 pct. In net terms, the vegetable component of GAP suffered a 12.9 pct reduction relative to 1999 levels. Total livestock production value rose by 12.3 pct relative to 1999 levels, due to an expansion in dairy and eggs outputs, as well as to an increase in pork and poultry meat prices during the last quarter of 2000 after the BSE scandal broke out in Europe. Net farmer incomes suffered a large 13 pct reduction relative to 1999 levels.

Total national 2001 GAP in current values is expected to increase, under the effects of overall improved weather conditions. High Winter rainfall levels enabled the filling of dams, creating favorable conditions for Spring crop irrigation. However, winter grain output will be down during 2001 due to a large reduction in seeded areas caused by excessive Winter rainfall levels. Corn and oilseed production value is expected to be up due to the effects of higher EU prices of high-protein vegetable products. In the livestock sector, hog and poultry production value will tend to remain above 2000 levels, compensating for a forecasted reduction in cattle slaughter rates. In the medium-term, Portuguese GAP in real value is expected to undergo an overall decline, under the influences of Agenda 2000 Reforms and generally liberalizing trends, as well as increasingly restrictive EU environmental and animal welfare EU requirements. Other likely constraining factors include the EU-enlargement to the East, which is expected to generally depress EU agricultural commodity prices, and in the more distant future, the effects of the WTO agreement in greater liberalization of international trade.

Outlook by Commodity Grouping

Wine

Portuguese 2000 wine production value suffered a 26 pct reduction relative to 1999 levels due to poor Winter and Spring weather conditions. Heavy Spring rains affected the flowering of grapes, while high moisture levels in May led to a high incidence of mildew, contributing to a reduction in yields. In terms of quality, the 2000 crop was considered to be above the previous three-year average, with dry August and September weather conditions enabling favorable fruit maturation with formation of high levels of sugar in the grapes. In the demarcated *Douro* region where Port wine is produced, quality of the 2000 grape must is considered to likely enable the year's production to qualify as "vintage".

The most competitive product of Portuguese agriculture, wine's production volume is to remain mostly stable over the medium-term. Persisting structural problems continue to be addressed by special, EU co-financed investment programs which aim at making the sector more competitive. Under the new five-year vineyard re-structuring program which came into effect in 2000, the "VITIS" (see Policy), up to 20,000 hectares of old vineyards are to be re-planted, and a similar area is liable to expand over the same period. This should lead to a moderate wine output expansion in the long-run, in addition to improved vineyard management. A list of approved varieties to be planted under the Program, and criteria for new planted area defined under the Program

assure that new vineyards will produce wines that can capture high producer margins and be competitive in the domestic as well as international markets. Accordingly, VITIS is to lead to a moderate increase in production of quality wines produced in demarcated regions (the "VQPRD"), of so-called "Regional" wines, of red wines and of wines produced with traditional varieties (see also under Policy).

Wine is a net exporting sector in Portugal. As the sector pursues production of higher-quality products with greater value-added, bottled wine shares of total wine exports have tended to expand, accounting for 95 pct of Jan/Sep 2000's $341 Million Portuguese wine exports. Traditionally dominant Port wine remains the leading export wine type, accounting for 60.4 pct of total January/Sept 2000 bottled wine exports. Wine imports fluctuate, primarily as a function of local wine production levels, totaling $63.5 Million during Jan/Sep 2000, significantly under the $98 Million of wine which were imported during the similar period in 1999. Given the reduced 2000 wine crop, national wine imports are expected to rebound in 2001. Wine imports are largely dominated by wine in bulk, which is bottled locally or sold in "tetra-pak" packages for the local inexpensive wine market segment. Wine in bulk accounted for 73 pct of total Jan/Sep 2000 wine imports (78 pct during the same period in 1999). Total shares of bottled wine are slowly increasing in association with a moderately changing consumer taste preferences as well as the relatively high prices of the local upper-end wine labels. Spain, which accounted for 76.6 percent of Jan/Sep 2000 total wine imports, is the leading source of Portuguese wine imports followed at a distance by Italy and France. The EU accounts for 99.3 pct of total Jan/Sep 2000 Portuguese wine imports. Imports from third country markets ($421,000 of the $62 Million total during Jan/Sep 2000) are currently led by Argentina and Chile. Affected by the competitiveness of local upper-brand wine producer, and the absence of aggressive marketing strategies, U.S. wine exports during Jan/Sep 2000 remained negligible, unchanged from the similar period in 1999.

Fruit & Vegetables

Portuguese 2000 fruit and vegetables production was generally affected by unfavorable weather conditions. Low temperatures and high precipitation levels in Spring affected the vegetative development of the flowers, and high moisture levels in June led to a high incidence of phytosanitary problems. According to the national statistics institute, INE, average yields of almonds were down by 35 percent relative to 1999, those of apples, pears and kiwis by 20 percent, and table grapes by 10 percent. Of varying intensity and consequences, 2000 weather conditions were especially harmful for the production of cherries in certain areas. Vegetable crop production was also affected by the poor weather conditions, with INE estimating total irrigated potato yields to have dropped by 30 pct relative to 1999 levels, and processing tomato yields by 15 pct. Losses due to 2000 weather conditions are to be covered by a specific Calamity Program created by the authorities at the end of the year (see Policy).

Fruits and vegetables remain, after wine, one of the most competitive sectors in Portuguese agriculture. Most significant production problems include lack of producer associations, a restriction with severe consequences at the producer marketing level. With only some ten pct of total fruit output presently being sold through Producer Organizations (POs), the producers cannot benefit from adequate concentration of supply which is required to achieve negotiating power with the retailers. Further, in the citrus sector, in which only POs are allowed to do the fruit withdrawal and contract with the industry under the EU subsidy regime, the limited level of association organization has led to heavy producer losses in 1999/00 and in other surplus years. The extension of this mechanism to other products covered by the EU Fruit & Vegetables Market Organization (see Policy) will make the producer’s capability to associate critical. In the meanwhile, while traditionally fruit was produced for fresh

consumption, EU policy and local industry developments are beginning to draw investors with a different orientation. Accordingly, new peach orchards have been recently planted to varieties especially suited for industrial use, an entirely new approach than the traditional one, which regarded industry use as an alternative for inferior products. Other areas in expansion include fruit with origin denomination, soft fruit and "organic" fruit, which have been increasing in order to exploit specific high-value market niches, both domestically and abroad. In the area of vegetables, production of high-value products, to be sold fresh or "ultra-frozen", domestically and abroad, are also expected to continue to expand in the future.

Local CY2000 fruit import value suffered a moderate reduction relative to 1999 levels as a result of an increased 1999 harvest. National fruit imports continue to be led by bananas, which accounted for $56 Million of the Jan/Sep 2000 $191 Million total, followed by apples with $22 Million and fresh grapes with $14 Million. The share of bananas and exotic fruit of total imports will tend to expand in the future as a result of a growing diversification of local consumption. Totaling $115 Million, total Jan/Sep 2000 vegetable and horticultural value imports were below Jan/Sep 1999 import levels due to the strong U.S. dollar. Nevertheless, volume imports increased, spurred by the strong demand for manioc from the feed industry, as well as by higher potato imports. Affected by the EU preference regime, as well as by a coinciding production season, the United States is a small supplier of the fruit and vegetables market; its direct exports into Portugal accounting for $1.1 Million of fruit and $2.1 Million of vegetables during the Jan/Sep 2000 period.

- **Processing tomatoes**

Processing tomato production decreased during 2000 as a consequence of unfavorable weather conditions, with a 15 pct average yield reduction relative to 1999 levels. Under the effects of the new Fruit and Vegetables Market Organization, mostly new subsidy regime changes, local processing tomato outputs are expected to decrease moderately over the medium-term (see more under Policy).

Other consequences of the Reform include the requirement that only POs can contract with the industry on behalf of the producers. This change is expected to increase farmer organization levels, as the industry purchase price liberalization set by the Reform will require a greater level of concentration of supply than currently exists. Despite new constraints, Portuguese processing tomatoes are expected to remain one of the most competitive agricultural sectors under present CAP rules, as well as one of Portugal's foremost national agricultural export commodities.

- **Sugar beets** (see also PO0022)

Also affected by poor weather conditions, national 2000 sugar beet production still managed to reach a historic ceiling of 475,000 Mt due to a planted area expansion. A moderate increase in sugar beet outputs is also expected for 2001, due to a forecasted 1,000 ha expansion in national planted area. Produced basically under contract with mainland Portugal's sugar beet factory "DAI", national sugar beet production is expected to remain mostly stable over the medium-term, with contracted areas remaining at a roughly stable 10,000 hectares required to meet DAI's processing needs to fill its 70,000 Mt EU-assigned sugar quota.

Given the high income levels generated by sugar beet production, which presently surpass those of corn as well as most alternative crops, local farmer's interest in the crop has been increasing. However, given the crop's high subsidy dependency, an increase would only be viable with an enlargement of the national sugar quota. The goal of pursuing a quota expansion up to 100,000 Mt is fully supported by DAI, who aspires to increase its

current level of processing so as to use a larger share of the factory's processing capacity. Nevertheless, discouraged by the EU sugar outlook, the EU Commission's view has until now been unfavorable to the desired sugar quota increase, which has pushed back the issue by some two years, when the revision of the EU Sugar Market Organization is expected to come up again.

Grain & Feed (see also PO0037)

Portuguese 2000 winter grain production had a significant expansion relative to 1999 levels due to an increase in seeded areas and generally favorable weather conditions which resulted in above-average yields. As a consequence of subsidy penalties derived from the exceeding of the EU-assigned corn Maximum Guaranteed Areas in 1999, 2000 corn areas suffered a moderate reduction in 2000, leading to an output below 1999 levels.

Winter grain area and production are expected to decrease significantly in 2001, as a consequence of severe Winter weather conditions which delayed planting in many areas and destroyed vast areas of seeded fields. According to INE, total 2000/01 wheat and triticale areas were down by 20 pct relative to 1999 levels, while oats and rye areas were down by ten and 15 pct respectively. Due to the inability to sow normally in Winter, local farmer organizations have already requested that local authorities raise the maximum allowed set-aside from 35 to 50 pct during the current year. As for corn, total seeded area and production are expected to increase in 2001. The strong demand in the EU market for vegetable proteins that has followed the EU December 2000 ban of meat and bone meal in feed (the MBM ban - see Livestock section below) is encouraging local farmers to grow corn, while the abundant Winter rains have filled the dams, creating favorable conditions for irrigated crop production. Portuguese total grain production accounted for 11.7 pct of total 1999 vegetable production. That share is to decrease over the medium-term as a consequence of the implementation of Agenda 2000, as well as the end of special local grain subsidies, scheduled to terminate after 2002/03. The extension of the special local grain regime beyond 2002 as a form of social and regional support (see Policy), would moderate a significant reduction in local grain outputs over the medium-term.

A net importer of grains, Portugal imported $307 Million worth during Jan/Sep 2000, of which $117 Million were accounted for by wheat, and $115 Million by corn. U.S. total grain exports into Portugal during the same period totaled $7.5 Million ($8.0 Million during the same period in 1999), of which $5.6 Million was accounted for by wheat ($2.4 Million in Jan/Sep 99). Due to the forecasted low winter grain harvest, national winter grain imports are expected to rebound in 2001. U.S. share in total wheat imports is likely to continue to expand in the future due to higher imports of high-quality wheat, which the local milling industry is reportedly finding increasingly difficult to sources from within the EU. Despite a high interest in U.S. corn from the local feed industry, conservative EU policies towards biotechnology maintain an effective trade barrier to U.S. corn exports into Europe, leaving the annual 500,000 MT Blair House corn quota to be filled by other non-EU suppliers. However, imports from the United States of Corn Gluten Feed (CGF) and other products derived from the starch manufacturing industry remain strong, accounting for $42 Million during Jan/Sep 2000 ($41 Million in Jan/Sep 1999).

Oilseeds & Products (see also PO0010)

Consisting basically of sunflower seeds, Portuguese oilseed production suffered a large reduction in 2000 under the effects of Agenda 2000, and especially due to the leveling of oilseed with grain producer subsidies. A moderate expansion in oilseed area is nevertheless anticipated for 2001 as a consequence of the current strong demand for vegetable protein derived from the MBM ban (see Livestock), while the limited winter grain planting has made large areas available for Spring crop cultivation.

During Jan/Sep 2000, Portuguese total oilseed imports reached $168 Million ($164 Million in Jan/Sep 1999), of which $98 Million were accounted for by soybeans and $38 Million by sunflower seeds. Favored by the full operation of the leading local soybean crushing factory, U.S. soybean exports into Portugal increased relative to 1999 levels, accounting for $36 million (37 pct of total imported soybeans, against a 32 pct share in Jan/Sep 1999). During the same period, total vegetable oil import value dropped by 29 pct, displaced by higher local vegetable oil output, while soybean meal imports were down by 11 pct.

Dairy, Livestock & Poultry

- **Dairy**

On the rise since 1993, Portuguese cow milk production reached its historic peak in 1999/00, when the national 1,867,000 Mt cow milk quota was surpassed by 57,000 Mt. In spite of the financial penalties set-off by this over quota production (see Policy section), national cow milk production continued to grow for the first part of the 2000/01 marketing year, with the full-year production expected to exceed the national dairy quota again. With a solution for the 1999/00 surplus eventually worked out between Portuguese and EU authorities at the end of 2000 as part of a new transitory measure to be in force between 1999/00 and 2002/03 (see Policy section), national dairy producers are likely to feel encouraged to continue to maintain high activity levels over the short-term. However, if the transitory measure should eventually be regulated under more restrictive terms than hoped, growth rates would decline due to the discouraging effects of the financial penalties charged to surplus milk production. Production trends for the next three to five years are to be largely influenced by new EU policy developments. The Agenda 2000, which is to be introduced in the EU dairy sector in 2003, is to produce some discouraging effects upon production by inducing an average producer price reduction. On the other hand, these trends could be further enhanced by the new EU package of decisions to be approved in 2003, when the Council carries out its dairy reform review. While certain crucial policy decisions, including the maintenance of the quota regime, are to generate a lot of discussion, it seems unavoidable that new decisions are overall to have some degree of liberalizing influence upon the EU dairy market, with depressing effects upon local production. Finally, EU-enlargement and EU commitments under the next WTO negotiations are expected to put negative pressure upon Portuguese milk prices and production in the longer-term. Among favorable trends is the rising level of domestic dairy product consumption, which could support relatively stable levels of milk production. Further, the possible extension of the dairy quota regime beyond 2006 would continue to provide some protection to local producers against imports from EU exporting countries.

The higher milk outputs in 2000 led to an increase in the production of processed dairy products. This generated some dairy surpluses during the first part of the year, when significant quantities of butter were delivered to Portuguese intervention. However, dairy product surpluses came down significantly after August of 2000, under the effects of higher domestic consumption levels of dairy products as well as of the re-opening of

the Russian market for European dairy exports. Among others, this led to a reduction of local Non Fat Dry Milk stocks to a minimum and to an increase in domestic cheese outputs. Portuguese dairy product exports into traditional markets were also strong, including the export of high quantities of cheese into the United States, which profited from the favorable Euro rate against the U.S. dollar. Total production of processed dairy products is expected to increase over the medium-term, as the local industry is to pursue an increasing product diversification policy. This results from the industry need to innovate in order to explore new market opportunities, while the expansion of private labels and the power of retailers tend to squeeze industry margins in the fresh milk segment, making the production of well-differentiated, high value-added products more profitable.

A major re-structure took place at farmer level during the 90's. Dropping producer prices associated with the institution of the Single Market in 1992 and the application of EU activity cessation programs led to a drastic reduction in dairy farmer numbers from about 90,000 at the beginning of the decade, down to roughly 35,000 at the end. Nevertheless, current price trends in the EU dairy market, and forecast liberalizing decisions are expected to generate further re-structuring in the sector. According to the official statistics, the average number of cows per producer in mainland Portugal was still seven head in 1998, and 16 in the Azores islands. These low averages reflect the existence of a very high number of very small farms, which are economically unviable in a liberalized market, and who burden the local dairy cooperatives with excessive milk collecting and treatment costs. However, under the effects of EU retirement incentive programs as well as the very active currently existing market for individual production quotas, national dairy production is expected to become considerably more concentrated over the medium-term, with dairy farm numbers tending to decrease to the order of 10,000- 12,000 producers.

A major re-structuring has also taken place during the 90's at the industrial level, under the effects of the Single Market and the establishment in Portugal of an EU dairy multinational, who broke the national *status quo* of virtual domination of milk collecting channels by the local dairy cooperatives. In 1996, in reaction to more adverse conditions, the thee leading national dairy cooperative unions - AGROS, PROLEITE and LACTICOOP (who presently account for over 50 percent of total milk collected) created a new company called LACTOGAL, through which they pursued joint marketing and industrial production strategies. Leaving only the milk collecting role to the old cooperatives, *Lactogal* became one of the Iberian leaders in the dairy market, using its size to obtain leverage in the negotiations with the retailers on behalf of the milk factories owned by the cooperatives. In the meanwhile, the group industry also went through a re-structuring, with specialization of the factories owned by the old cooperatives. UHT milk production is presently concentrated in the *Vila do Conde* AGROS factory, "special milk" production in the *Tocha* LACTICOOP factory, and "fresh dairy products" (yoghurt, among others) in the *Oliveira de Azeméis* PROLEITE one. In order to improve and standardize national cow cheese production, which is considered to be the most disorganized dairy sub-sector, a new factory is to be built in Santarém near Lisbon, from where Lactogal can easily supply not only the large Lisbon-area market, but also any other market in Iberia. To cover the whole national and Iberian market better, LACTOGAL has purchased a dairy factory in the Azores, and is to buy one in Spain in the future. Over the next three to five years, the Portuguese dairy industry is to continue to re-structure with the elimination of the more un-competitive units. New investments are also to be implemented over the coming years, to be supported under the EU co-financed CSF III (see Policy section). New investments include a new UHT milk factory to replace the Lactogal *Vila do Conde* unit which is to be closed in the future, and the new Santarém cheese factory.

- **The dairy sector in the Azores**

Accounting for 26 percent of Portugal's milk production, the Azores has great economic dependency upon the dairy sector, which accounts for 51 percent of the island's gross agricultural product (GAP), and combined with beef, 71 percent of its GAP. However, while the national 1,867,000 Mt dairy quota was initially set comfortably above national production levels, its Azorean portion was always tighter by comparison with regional milk output levels than the mainland Portugal. In 2000, in an attempt to correct this un-balance once the 1999/00 over quota production alarm was set-off, the local authorities undertook to re-distribute among Azorean farmers about half of the 70,000 Mt milk quotas purchased from mainland Portugal farmers under an EU-financed quota buy-out program. Further, given the strong economic and political importance of the dairy sector in the Azores, a definite solution for the Azorean problem was pursued and eventually reached by the authorities (see above).

The expansion of dairy activity in the Azores is due to a number of factors that have to do with the natural aptitude of the islands for pastures and the effects of in-direct subsidies conveyed by the EU co-financed program addressing the island's "ultra-peripheral" condition, the "POSEIMA". Among others, these include special subsidies paid per cow, supports to feed costs through a special grain import scheme, and supports to genetic improvement. Additionally, the sector benefitted from a significant re-structuring of the local dairy industry over recent years, whose effects (improving the competitiveness of local processed dairy products in export markets) are beginning to show. Weighed against the comparatively low milk producer prices, currently at 47-48 Pte/liter (60 Pte/liter in mainland Portugal), the advantages favoring the Azorean dairy sector are said to fully off-set the lower milk prices.

- **Cattle & Beef** (also see PO0026)

The outlook of 2000 Portuguese cattle and beef production was divided in two by the BSE crisis in the rest of the EU in the Fall of 2000. A strong demand for locally-produced beef before the crisis, which, together with new Agenda 2000 subsidies, led to above-1999 slaughter rates for most of the year and unexpectedly high producer incomes. Everything changed after October 2000, even if the impact of the crisis is considered to have been milder than in other EU countries, as Portugal has already had BSE for several years. Nevertheless, local beef consumption rapidly dropped by 30 pct relative to pre-crisis levels, while concerns grew that further BSE-related scandals could bring on greater reactions from the public. Thus far, under the effects of vigorous producer and official public reassurance campaigns, consumption and price levels of *locally produced* steer beef have managed to remain almost unchanged since the beginning of the crisis, with the consumption drop being said to be due basically to decreased imported beef. Some measures have in the meanwhile been implemented to enable beef consumption to recover moderately in 2001. The introduction in January 2001 of the new package of EU anti-BSE measures passed in December 2000 is expected to contribute to greater efficiency of the Portuguese BSE eradication plan as well as to a higher consumer confidence. In the meanwhile, at farmer level, the new EU anti-BSE package has already enabled local dairy farmers to dispose at a subsidy of considerable numbers of spent cows whose market value had become negligible after the crisis broke out. The possible lifting of the EU ban to Portuguese cattle and beef exports during the first semester of 2001 (see also under Policy), would finally increase the prestige of indigenous beef and open up improved market prospects for the local producers.

- **Hog & Pork** (please check also PO0026)

High importation of live hogs for slaughter from Spain depressed local hog and pork prices for most of 2000 and led to a reduction in hog inventory numbers. The BSE crisis, which led to a shift in demand from beef into all alternative meat types during the last quarter of 2000, generated an expansion in pork domestic consumption and local producer prices. Significant production problems continue to constrain the sector. High numbers of small producers and the requirements set by EU environmental and animal welfare rules have led to an increased sector concentration, as well as to hardships in licensing of new operations. Sector concentration through integration, with purchase of hog production units by feed mills is to continue in the future. The overall higher competitiveness of hog production in Spain, with increasing integration of local hog producers with Spanish groups, as well as the coming EU-enlargement to the East are expected to contribute to depression of local hog activity levels over the medium-term.

Policy Changes

General

As part of the EU, Portugal implemented the “Agenda 2000" as well as the IIIrd Community Structural Framework (the CSF III) during 2000 (see also under Grains, Oilseeds and Livestock sections).

Policy decisions during 2000 were largely dominated by food safety related developments. Among these, the approval of a new beef labeling regulation early in the year under the Portuguese EU Presidency, was one of the most important decisions for Portugal, due to the national BSE situation. On the other hand, the spread of BSE across Europe, and the definition of new measures to eradicate the disease, reduced the relative disadvantage for Portugal. Anti-BSE measures were strengthened by the EU, with the institution of EU financial supports. This should increase the effectiveness of local anti-BSE plans, and convey some support to the local farmers who were affected by the crisis. In the market-related area, an important achievement was the inclusion of special provisions regarding the Azorean islands surplus dairy production under the "POSEIMA" program (see below). Finally, the EU Fruit and Vegetables Common Policy was reformed under the French EU Presidency at the end of the year. An important sector for Portugal, as well as for all countries with Mediterranean products, the result of the reform will generate mixed influences in the sector (for more details, please see below).

One of the most significant 2001 policy developments is expected to be the probable lifting of the EU ban to Portuguese cattle and beef exports, which could take place during the first semester of the year. The revision of the EU rice regime is another important issue. Expected to be an object of a new Commission proposal under the Swedish Presidency, in the Spring of 2001 after conclusion of EU negotiations with less developed rice exporting countries, the reform is expected to have negative consequences for local rice producers. Also of some importance to Portugal is an on-going "mini-reform" of olive oil, which is to review the oil’s classification and standards.

Cattle & Beef

In response to the EU BSE crisis that broke out during the last quarter of 2000 (see also Commodity Outlook section), the EU approved a new package of measures which were introduced in January 2001. Most importantly, meat from animals over 30 months of age has been banned from entering the food chain, as

instituted by EU Regulation 2777/2000. Given lack of analytical control means, till the end of March 2001, the producers are eligible for financial compensation for animals over that age limit slaughtered under the regulation. Subsidy payments have been set at 196.5 Pte/kg, carcass weight, for cows and bulls, and 487.6 Pte/Kg for other eligible bovines. After the end of March, and given EU expectations that an alternative system of systematic animal testing can be implemented, all animals above 30 months of age are to be tested, their meat being only allowed into the food chain if BSE testing proves to be negative. Another important BSE-related measure was the introduction at the beginning of January 2001 of a new EU labeling regulation passed in Brussels one year ago. According to the Portuguese version of the directive, local beef labeling requires the display of the national flag on locally-produced beef. In addition to addressing EU traceability objectives, local labeling legislation also ensures that the consumers can differentiate locally produced from imported beef, an identified factor of competitiveness for indigenous production.

A major national issue in the cattle & beef sector remains the lifting of the EU ban to Portuguese cattle and beef exports. In effect since 1998, the ban is a problem due to its potential consequences upon indigenous beef consumption. According to local expectations, the ban could be lifted during the first semester of 2001 in light of results in the national anti-BSE program.

The National Dairy Quota

The national EU-assigned dairy quota has remained unchanged since Portugal joined the European Community in 1986, at 1,867,000 Mt of fresh milk output. Comfortably some 20 percent above national production levels at the beginning of the EC-Accession, that ceiling remained above output levels for most of the period since, at about seven percent over production, when the Portuguese authorities were preparing for the Agenda 2000 negotiations. However, the sector re-structuring over recent past years and growing levels of domestic dairy products consumption have spurred milk production over the past recent years. This expansion was particularly significant in the Azores islands, where over the past two years, milk outputs grew consecutively by eight and twelve percent. As a result of this boom, Portuguese 1999/00 cow milk production for the first time surpassed its national quota by 57,000 Mt, triggering the application of financial penalties required by EU production regulatory mechanisms.

Totaling roughly $19 Million, of which $16 Million affecting the Azores islands, the EU dairy penalties developed into a major problem for Portuguese authorities during 2000, who endeavored during the whole year to finding a viable solution to save the Portuguese farmers from this loss. Insufficient technical justification within the EU Dairy Policy regime prevented an increase in the Portuguese dairy quota, which would have automatically annulled the surplus. Eventually, a solution was found during the December 2000 EU French Presidency Summit in Nice within the reform of the EU special regulations for European "ultra-peripheral regions", which include the POSEIMA program in effect in the Azores and Madeira islands. Accordingly, a general agreement was reached to allow for a certain un-determined level of Azorean milk consumption to be abated from the quota surplus, as a special POSEIMA disposition to be in effect during the 1999/00 to 2002/03 period. This agreement, which is to solve at least the Azorean quota problem until the 2003 EU Council quota regime review, yet remains to be regulated by the EU Commission. The actual amount of milk allowed to be abated from the quota is the most important pending issue, which is to be regulated later on. This amount, which basically represents a ceiling for total milk output growth, could reportedly be set anywhere between 60,000-85,000 Mt. All operational aspects of the special dairy disposition are also to be regulated later on.

In spite of the wave of concern generated, the dairy quota regime *per se* did not lose national favor during the recent crisis, due to concerns with the future of the local industry in a fully liberalized EU production regime. Accordingly, the Portuguese dairy sector looks with some concern to the 2003 EU dairy regime review, which among others is to decide on the future of the quota regime itself. However, while northern EU countries are a strong liberalizing influence within the Union, in Portugal it is felt that the existence of different realities in Europe justifies an extension of the dairy quota regime, although in a modified version to contemplate upcoming changes which include the EU-enlargement and the WTO commitments. On the other hand, considering that production and consumption levels have greatly changed in Portugal since the beginning of the EC-Accession, it is felt that an increase in the national dairy quota would be fair and justified. In particular, concerning new agreements reached under the WTO negotiations, the defense of a modified quota regime, based on two different types of quotas, for milk produced for the national and for that produced for export markets, seems to draw some favor in Portugal.

The Fruit & Vegetables Reform

Reached towards the end of 2000 under French EU Presidency, the Fruit and Vegetables Common Policy reform was an important dossier for Portugal due to its relevance for processing tomatoes, as well as to other important sectors covered by the policy, i.e., citrus, peaches and pears.

- **Processing tomatoes**

One of the most positive changes brought on by the reform is considered to be the replacement of the variable tomato quota system with a fixed threshold. This is believed to give the local producers a framework of stability as opposed to the previous one, under which the national processing tomato quota was successively reduced over the years as a consequence of higher outputs in other EU countries. The new fixed quota, to become effective in 2001, was set at 1,050,000 Mt, considerably above the national production average of roughly 950,000 Mt.

Other changes are considered to bear mixed consequences for Portuguese tomato producers. Whereas the introduction of farmer subsidies to replace the industry processing subsidies is generally considered a positive change, the introduction of liberalized market prices to replace the minimum industry purchase price regime is expected to lead to lower farmer incomes. Given forecasted 2001 producer prices of some 9 Pte/Kg and the level of EU-set producer prices (34.50 EUROS/Mt, i.e., 6.9 Pte/Kg), local tomato farmer gross incomes are to suffer a reduction in 2001 relative to 2000 levels by estimated 1.5 Pte/Kg.

Due to the reform, further consolidation is expected to take place over the medium-term. Given the expected reduction in producer margins, it is believed that only producers with 80-100 Mt/ha yields will remain competitive under the new regime, while farmers in the 60-80 Mt/ha range will tend to be unviable. This is also expected to eventually lead to the abandonment of the activity in considerable areas of marginal land in the *Alentejo* region, as well as to an increase in average producer size. Some changes are also expected to take place at the level of producer association structures, which are considered to be largely inefficient in marketing terms. Presently, some 80 pct of production is channeled by only 20, out of 45 existing producer organizations (POs). The forecasted reduction in producer margins is expected to lead to a reduction in PO numbers, as the producers will be forced to pursue greater concentration of supply and economies of scale. The requirement that only POs can contract with the industry as of 2002/03, is expected to further support this trend.

- **Fresh Fruit**

The EU Fresh Fruit reform brought significant changes to the peach and pear sub-sectors, as their regime became harmonized with the citrus regime. Peach and pear production for industry use also became eligible for direct producer subsidies, and subject to liberalized prices, like citrus. This replaced the minimum industry purchase price regime with payment of processing subsidies to the industry, previously in effect.

The reform also introduced changes to the quota regime in effect in the citrus sector. Accordingly, citrus production became subject to national production quotas, instead of being part of an EU-wide production ceiling. A production ceiling of 20,000 Mt was set for oranges, and another of 1,724 Mt for small citrus. These ceilings were set at comfortably high levels relatively to national production.

Maximum allowed fruit withdrawal was reduced by the reform. Since the 1996 EU fruit reform, maximum withdrawal levels were decreasing, so as to enable the EU to increase its production quotas. Previously scheduled at a maximum of 15 percent of production in 2001/02, maximum fruit withdrawal was cut back to ten pct, while in 2002/03, that limit is to be further cut back to five pct. Under the reform, only Producer Organizations (POs) became authorized to contract with the industry or do the fruit withdrawal, a determination which had only affected citrus producers before. This is expected to lead to a greater producer awareness of the importance of POs, and in general terms to an increase in producer associations. The level of association is considered limited in the fruit sector, with only some ten percent of total fruit production being presently handled through the organizations. Financial supports to POs were also reviewed by the EU under the reform. Previously at between 2.5 to 4.5 percent of the value of marketed production, subsidies to POs became a fixed 4.1 percent of market fruit value, equal to the PO's own contribution to the investment. Due to Portugal's structural deficiencies, the local Government is also allowed to contribute an additional 50 percent of the producers contribution to the investment.

Wine Policy Changes

Most significant recent policy changes in the wine sector deal with structural reform, as a tool to guide the sector towards greater competitiveness. In order to address the wine sector's identified structural weaknesses, namely the ageing of national vineyards (more than 40 percent of total areas are reportedly over 30 years old) and the need for further vineyard improvement, a special vineyard re-structuring program became effective in 2000 to be financed under the IIIrd Community Structural Framework (see Structural Policy section). Under this Program, the "VITIS", 20,000 ha of old vineyards are to be re-structured, and up to a similar area can be planted over the next five-year period. VITIS-generated investments are estimated to total some $ 164 Million, of which $33 Million are to be subsidized with local and EU funds.

However, VITIS also aims at encouraging the production of the more competitive wine types. Accordingly, new planted areas are to produce quality wines produced in demarcated regions , the so-called "VQPRD" or "Regional" wines, the higher-quality types under the EU classification system, as the only wine types that can generate sufficiently high producer margins to justify the high planting and exploration costs of the new vineyards. Other strategies pursued under VITIS include the expansion of wines with origin denomination or geographic indication, as well as of wines produced from traditional grape varieties. Among others, these are considered to lead to a favorable product differentiation that can enhance the competitiveness of the new wines in the market. Planting of red grape varieties is also encouraged, in association with current demand trends in

the domestic as well as in the international market. The list of officially approved list of varieties includes a total of 341 different grapes.

National wine policies also contemplate promotion of Portuguese wines nationally as well as in international markets. Portuguese wine exports benefit from promotional programs financed by the national foreign commerce agency ICEP, and by a mixed-capital entity for wine promotion, "VINIPORTUGAL", which carries out promotional activities nationally and abroad.

The National Grains Regime

One of the most affected by EU policies, the Portuguese grains sector profits from a special regime derived from a transitory regime instituted back in the early 90's. Given existing disparities between local and EU average producer prices, a special grain producer subsidy, to be 65 percent supported by Brussels, and 35 percent by Portugal, was then instituted. This regime was altered in 1992, when the Single Market was created. The subsidy became subject to a gradual phase-out regime until full elimination after 2002/03.

Time has revealed the importance of the special subsidy for the survival of a great number of grain producers. The Portuguese Ministry of Agriculture reports that a total of $23 Million were paid to 17,300 farmers during 1998, or rather $1,348/farm on average. Considering the importance of this subsidy for the survival of small producers, as well as for the development of certain depressed areas, the local authorities for a considerable amount of time have pursued some form of the extension of the special regime beyond 2002/03.

A small step towards that goal was taken during 2000, as the EU Council of Ministers approved the "freeze" of the 2001/02 special national subsidy at the 2000/01 level. As for the future of a special grain regime, it remains undefined, even if the Portuguese grain dossier is to merit an analysis by the EU Commission.

The Olive Oil Sector

One of the most traditional Mediterranean activities, olive oil production is presently undergoing a review of its classification grid and nomenclature, based on the results of a recent EU Commission study. Of a relatively superficial nature, proposed changes have thus far met with the opposition of Portuguese producers and bottlers, concerned with consumer reactions to product denomination changes. A deeper review of the EU olive oil common policy is to be undertaken about two years from now. Among most serious Portuguese concerns in this field are reported EU Commission intentions as far as the producer subsidy regime is concerned. The reported intention to replace subsidies paid on a kilogram basis for new ones paid per tree, are particularly opposed by the local authorities, due to their potential effects in discouraging yields.

Structural policies are also important in the olive oil sector. In this area, a new investment program to be supported under the 2000-06 Community Support Framework has recently come to effect. Among others, a total of 30,000 ha of new olive groves are to be planted through 2006.

Modulation of Supports

The Portuguese authorities chose to implement a national version of the principle of voluntary subsidy modulation approved in the Berlin Summit, which was locally regulated at the end of 2000.

The national version of the subsidy modulation defines a schedule of progressive subsidy reductions to be applied to farmers receiving $33,000 or more. This measure, which is to come into effect in 2002, is to save up to some $87 million during the 2002-06 period in income subsidy payments, an amount to be diverted into structural development measures in disfavored rural areas.

The Ministry of Agriculture reports that out of 257,000 income subsidy recipients, only about 1,600 will be affected by this determination. The subsidy modulation is expected to affect a small percentage of arable crop and cattle producers, in addition to tobacco growers. Specific regimes have been established for producers of olives for curing and tobacco, to account for especially high labor costs in these sectors. Accordingly, the subsidy modulation regime applies to only 50 percent of subsidies paid to olives and to 20 percent of subsidies paid to tobacco growers, while some $435 per permanent laborer are to be exempted from the modulation regime.

Structural Policies

In spite of significant structural investments made with EU funds since Portugal joined the EU in 1986, the country remains one of the EU-15 members with greater structural deficiencies. For this reason, the country remains an EU "objective 1 region" with access to the highest EU co-financing rates. With Portuguese structural policies in agriculture being primarily supported by EU structural funds, an important development was the implementation in 2000 of the third "Community Support Framework" (CSF III), financed with FEOGA, FEDER and FSE funds. The CSF III, which is to be in effect through 2006, is to be the last major EU financial package to be poured into the sector given forecasted financial constraints derived from the coming EU-enlargement to the East.

The "Operational Program for Agriculture and Rural Development" (the POADR) leads the agricultural component of CSF III, accounting for $2.9 Billion out of the total $ 4.4 Billion value of investment supported by CSF III during the 2000-2006 period. The rest of the agricultural component of CSF III is dominated by the agricultural share of the "Regional Operational Plans", under which an estimated $1.2 Billion worth of investments are to be generated over the 2000-2006 period. However, EU co-financed investment supports to the agricultural sector over this period are not limited to CSF III. The most significant program outside the CSF III, the "Rural Development Plan" (the PDR), is constituted by measures of an income-support nature. The PDR is financed by Feoga-Guarantee, and is a successor of the so-called Accompanying Measures of the CAP. For a summary of programs to support Portuguese agriculture medium-term investment, please check Table in Annex.

The POADR

The new Operational Agricultural and Rural development Plan, the "POADR" or "AGRO Program", is the largest agricultural CSF III component. With the general objective of promoting the conversion from "quantity" to "quality", the POADR is the main structuring policy tool in effect through 2006. Addressing both infra-structural and productive areas, the POADR focuses on certain identified key strategic areas, i.e., olive orchards, wine, forests, irrigation, fruit and horticulturals and professional capacity building.

The POADR is basically divided into two areas of intervention. On one side, the POADR comprises supports with the goal of improving agro-forest competitiveness, i.e., farm modernization and re-conversion; agricultural products processing and marketing; forest development; expansion of irrigated areas; and increasingly productive potential. On the other side, the POADR includes human potential and the strengthening of services measures, which include professional capacity building, technological development, services and technical assistance. The “AGRO” is dominated by farm modernization, processing and marketing, forest sustained development, water resources, professional capacity building, and technological development and experimentation. Measures that deal specifically with supports to small "family-based" farming, to production of high quality products, to the improvement of the environment and the rural world are defined at the regional level.

Water Management Policies

Limited irrigated land and frequent droughts have put water management at the top of other GOP long-term policies. In order to accelerate the public investment rate, the national irrigation plan for 2000-06, to be financed with CSFIII funds, contemplates structural investments to irrigate an additional 72,500 ha. Investments are to be subsidized in the range of $522 Million.

Among on-going public investments directed to irrigation works, the multi-purpose *Alqueva* complex is the largest project. This multi-stage project is scheduled to be complete by 2025, involving total public (EU and national) expenditures estimated at some $1.67 Billion. The project is scheduled to lead to the creation of a 250 sq. kilometer lagoon - the largest artificial lake in Europe - in 2002, of which 35 sq. km will be located in Spain.

Under CSF III, the Alqueva is to generate a 26,200 ha increase in national irrigated area. However, in addition to Alqueva, there is a vast portfolio of public investment projects including 48 public irrigation works to irrigate an additional 46,300 ha.

National Supports: Emergency Measures

In addition to EU co-financed investment supports and Feoga-guarantee funds, national supports are given to certain production inputs like "green gas oil", or to special “emergency measures”.

In the “emergency measure” area, a special easy-credit line was created in 2000 to support the farmer’s recovery from losses derived from the consequences of unusual weather conditions. This credit line applies to producers from "calamity regions", who lost 50 percent or more of average production. Covered commodities include

processing tomatoes, cherries, potatoes and wine. Total amount to be made available to the farmers through credit reportedly totals $21.7 Million, of which $8.7 Million are exclusively for "small farmers", here defined as all those with areas of five ha and under. Small farmers credit is subject to ceilings which are set at $2,348/ha for cherries, $2,717/ha for tomatoes, and $1,100/ha for potatoes. Credit to be granted has a four-year life, interest-free for the first three years. In the case of "large" farmers, the commercial interest rate is 80 percent financed by the local Government during the credit's first year of life, 60 percent during its second year, and 40 percent during its third year.

Statistical Section

Table 1 - Portugal: Agriculture's Contribution to the Domestic Gross Product GDP

	1999	2000 (*)	2001 (**)	2002 (**)
Total Population (Million)	10.0	10.0	10.0	10.0
GDP at Current Prices (Million USD)	108,600	99,800	109,300	121,600
Gross Agricultural Product 2/	3,622	2,952	3,100	3,400
As percent of GDP	3.4	2.9	2.8	2.8
GDP per capita (USD) 1/	10,879	9,964	10,875	12,051
Exchange Rates (PTE per USD)	188	217	210	200

1/ Fall from 1999-2000 due to fall in escudo/dollar exchange Rate. 2/ Only agriculture.
(*) Estimate; (**) Forecast.

Table 2 - Portugal: Macro Economic Data

	1999	2000	2001	2002
Percent Increase of CPI (*)	2.4	2.3	3.0	2.9
Percent of Real GDP Growth (%)	3.0	3.3	3.0	2.9
Percent of Unemployment	4.5	3.8	4.0	4.0
Gold and Foreign Exchange Reserves (current value, in Million USD)	13,100	13,900	13,000	13,000

Sources: Bank of Portugal, Embassy estimates. (*) Without Housing.

Table 3 - Portugal: Areas and Outputs of Key Agricultural Commodities

	1998		1999		2000	
	1,000 Ha	1,000 Mt	1,000 Ha	1,000 Mt	1,000 Ha	1,000 Mt
Grains						
Wheat	146	151	238	372	262	429
Corn	192	1,020	191	1,017	171	919
Rye	51	32	51	52	46	44
Triticale	23	17	53	35	30	38
Rice (rough)	27	162	25	157	22	149
Oats	48	29	72	75	72	90
Barley	26	26	33	43	31	45
Total (Except Rice)	486	1,275	638	1,594	612	1,565
Fruit						
Oranges	21	262	21	210	21	252
Apples	24	162	24	258	24	206
Pears	13	19	13	118	13	94
Peaches	11	66	11	89	11	75
Miscellaneous Prod.						
Beans	24	14	24	13	22	11
Potatoes	83	1,171	85	1,356	75	933
Tomatoes	18	1,089	17	1,089	13	925
Sunflower seeds	60	38	54	31	48	25
Table grapes		40		56		50
Tobacco						
Wine (1,000 hl)	257	3,396	257	6,792	257	6,029
Olive Oil (1,000 hl)	319	361	319	505	319	328

Source: National Statistics Institute (INE) and Agoffice estimates. (*) Forecast

Table 4 - Agricultural Imports in Volume, Total and From U.S.

Commodity Listing	Jan/Sept 2000 Imports		2000 Pct Increase over Jan/Sept 1999		CY 1999 Imports	
	Total	From U.S.	Total	From U.S.	Total	From U.S.
Units:	Metric Tons		Percent		Metric Tons	
Corn	896,292	732	- 4.0	- 32.2	1,169,611	1,361
Total Wheat	863,451	36,330	- 12.9	+ 135.7	138,070	47,991
Raw Wood	828,199	17,569	- 9.0	- 22.5	1,160,388	28,314
Soybeans	476,076	179,937	+ 10.7	+ 43.2	577,580	255,712
C.G.F. and starch-derived prod.	456,045	444,699	+ 5.7	+ 7.1	556,744	541,617
Sawn wood	386,402	21,084	+158.6	- 7.4	206,934	30,170
Soybean meal	328,368	0	- 28.0	- 100.0	557,399	4,330
Fresh/Frozen/Cured Seafood	324,131	16,079	- 105	-303.0	496,285	28,351
Miscell. Feed Ingredients	304,679	73,000	+ 13.0	- 10.0	269,730	83,018
Manioc	218,836	0	+ 17.5	-	250,664	0
Raw Sugar	196,808	0	- 18.2	- 100.0	305,677	3,477
Sunflowerseed	178,591	0	- 0.4	- 100.0	264,908	14,918
Miscell. Beverages	165,882	51	+ 17.1	- 33.8	201,042	108
Dairy Products	146,223	30	+ 46.6	+ 400.0	162,010	6
Fresh/Frozen/Cured Meat	137,712	0	+ 10.8	-	172,663	0
Wine	135,172	2	- 17.0	- 71.4	221,723	8
Barley	134,053	0	- 11.6	-	195,519	0
Miscell. Fresh/Frozen Fruit	130,454	144	- 3.2	- 80.0	179,395	1,318
Bananas	119,852	0	- 21.0	-	133,121	0
Potatoes	118,990	0	+ 5.0	-	163,058	0
Miscell. Wood Products	183,233	1,423	- 6.8	- 7.5	230,053	1,975
Miscell. Vegetable Products	118,898	0	+ 34.4	-	136,972	0
Hortic./Fruit-based products 1/	113,629	84	+ 15.6	- 64.4	150,511	283
Raw Cotton	112,933	471	+ 5.2	+ 54.4	107,335	305
Miscell. Oilseeds	107,118	1,495	- 26.0	- 12.8	296,437	1,345
Miscell. Grains	106,587	1,236	- 22.0	- 24.7	1,425,588	1,959
Grain, starch, dairy-based; pastry 2/	91,584	60	- 18.0	- 6.3	153,044	115
Rice	87,423	0	- 5.2	- 100.0	109,878	5
Molasses	75,626	0	+ 0.8	- 100.0	92,873	1
Pet food	62,528	738	+ 37.3	- 60.0	75,956	2,141
Miscell. Sugar Products	53,197	33	+171.5	- 78.0	159	27,881
Miscellaneous food preparations 3/	51,111	201	+ 32.0	- 20.6	58,564	319
Apples	43,596	839	- 31.5	+ 25.0	76,883	671
Miscell. Oils & Fats	41,042	3	+ 20.6	+ 800.0	46,295	2

(To be Continued)

Table 4 (Continued) - Agricultural Imports in Volume, Total and From U.S.

Commodity Listing	Jan/Sept 2000 Imports		2000 Pct Increase over Jan/Sept 1999		CY 1999 Imports	
	Total	From U.S.	Total	From U.S.	Total	From U.S.
Units:	Metric Tons		Percent		Metric Tons	
Hides & Skins	39,469	1,206	- 22.1	- 48.1	50,694	2,323
Coffee	34,222	0	+ 4.7	-	45,611	0
Sunflowerseed Oil	27,943	0	- 6.6	-	44,496	0
Olive Oil	24,328	0	- 14.9	-	40,564	0
Sunflowerseed Meal	23,817	0	- 48.8	-	57,521	0
Wool	21,795	2	+ 4.6	0	20,839	2
Miscell. Processed Meat & Fish	20,476	6	+ 2.6	-	28,315	0
Palm Oil	18,353	0	+ 17.5	-	27,135	0
Tripes	15,301	52	+ 5.5	+ 147.6	19,215	39
Soybean Oil	6,168	17	- 56.1	-	18,421	0
All Other	275,970	83,199	-	-	593,217	11,296
Total Agricultural Products						
Including Forest Products 4/	8,302,563	880,714	- 1.2	16.6	11,289,097	1,091,361
Excluding Forest Products	6,713,245	838,958	- 3.0	14.5	9,421,876	1,027,899

Source: National Statistics Institute INE. 1/ Chapter 20 of the EU HTSC; 2/ Chapter 19 of the EU HTSC; 3/ Chapter 21 of the EU HTSC. 4/ Forest products include rosin, turpentine and wood products covered by HTSCNs 4401 through 4414.

Table 5 - Agricultural Imports in Value, Total and From U.S.

Commodity Listing	Jan/Sept 2000 Imports		2000 Pct Increase over Jan/Sept 1999		CY 1999 Imports	
	Total	From U.S.	Total	From U.S.	Total	From U.S.
	1,000 USD		Percent		1,000 USD	
Fresh/Frozen/Cured Seafood	599,014	18,646	- 14.7	- 56.7	970,848	51,562
Fresh/Frozen/Cured Meat	320,991	0	+ 8.0	-	413,560	0
Hides & Skins	238,407	3,628	- 16.1	- 4.4	379,920	7,475
Grain, Starch, Dairy-based & pastry 1/	152,609	97	+ 20.8	- 14.9	202,713	178
Dairy Products	147,445	246	+ 27.9	2,136	58,131	1
Raw Cotton	147,307	1,028	- 9.3	+ 55.3	207,407	1,012
Wool	145,896	113	- 9.1	+707	206,768	16
Miscell. Fresh/Frozen Fruit	135,645	1,068	- 20.5	- 68.7	224,829	4,651
Miscell. Beverages	133,425	1,126	- 3.3	+ 33.3	221,167	1,660
Raw Wood	124,954	6,468	- 12.2	- 30.6	179,115	11,557
Total Wheat	116,566	5,583	- 17.6	+130	197,332	7,359
Corn	115,386	418	- 10.1	- 15.0	162,193	595
Miscellaneous food preparations 2/	115,218	1,483	+ 10.9	- 8.0	152,180	2,159
Vegetable Products 3/	114,561	2,085	- 10.2	+ 2.1	174,011	3,135
Horticultural/fruit-based preparations 4/	111,600	190	- 5.1	- 46.3	167,218	463
Soybeans	97,508	35,623	+ 15.4	+ 33.8	113,000	52,260
Sawn Wood	87,640	19,551	+ 4.1	- 0.5	114,690	26,315
Raw Sugar	85,567	0	- 24.3	- 100	145,272	1,084
Coffee	74,218	0	- 2.9	-	107,134	3
Miscell. Wood Products	72,066	4,354	- 19.0	+ 20.2	246,419	4,861
Soybean Meal	63,639	0	- 10.9	- 100	86,980	765
Wine	61,809	7	- 35.4	- 90.9	131,886	86
Processed Meat/Seafood Prod.	54,600	21	- 7.9	-	83,263	0
Bananas	55,502	0	- 10.0	-	78,067	0
Miscell feed ingredients	55,450	14,337	- 8.9	+ 18.1	81,814	13,195
Raw tobacco	52,258	26,844	+ 118.4	+ 393	34,570	7,180
Starch-derived prod. for feed	47,824	42,097	- 0.4	+ 3.0	61,430	52,813
Olive Oil	44,066	0	- 37.0	-	97,058	0
Miscell. Sugar-based Products	43,591	92	+ 41.7	- 53.5	43,006	217
Pet Food	40,771	1,055	+ 15.0	+ 61.6	57,271	3,196

(To be Continued)

Table 5 (Continued) - Agricultural Imports in Value, Total and From U.S. (Continued)

Commodity Listing	Jan/Sept 2000 Imports		Pct Increase over Jan/Sept 1999		CY 1999 Imports	
	Total	From U.S.	Total	From U.S.	Total	From U.S.
	1,000 USD		Percent		1,000 USD	
Sunflower seeds	38,897	0	- 13.8	- 100	65,214	3,324
Processed Tobacco Products	31,680	2,445	+ 21.5	+ 77.0	25,369	1,623
Miscell. Oilseeds	31,382	1,694	- 9.4	- 1.2	50,929	1,871
Rice	31,941	0	- 19.7	- 100	46,305	4
Miscell. Grains	24,371	1,529	- 34.2	- 70.1	45,819	5,211
Miscell. Oils & Fats	23,233	35	+ 1.5	+ 94.0	31,917	28
Barley	18,456	0	- 19.8	-	29,703	0
Sunflowerseed Oil	13,860	0	- 25.5	-	27,151	0
Brandy	12,576	30	-12.6	-	19,777	0
Malt beer	12,570	0	+ 6.8	- 100	16,724	9
Palm Oil	8,037	0	- 11.4	-	15,314	0
Molasses	5,015	0	- 1.5	- 100	6,264	1
Soybean Oil	3,143	51	- 64.6	-	11,065	0
Sunflowerseed Meal	2,256	0	- 31.3	-	4,244	0
All Other	170,401	1,684	-	-	366,747	2,599
Total Agricultural Imports						
Including Forest Products 5/	4,083,351	193,628	- 8.3	- 1.9	6,161,794	268,468
Excluding Forest Products	3,258,039	158,486	- 7.2	0.6	4,805,896	217,220

Source: National Statistics Institute INE. Un-corrected data. Dollar Rates: 1 USD = 188.1 Pte during CY-1999; 1 USD = 186.4 Pte during Jan/Sept 1999; 1 USD = 209.2 Pte during Jan/Sept 2000. 1/ Chapter 19 of the EU HTSC; 2/ Chapter 21 of the EU HTSC; 3/ Chapter 7 of the EU HTSC; 4/ Chapter 20 of the EU HTSC. 5/ Forest products include rosin, turpentine and wood products covered by HTSCNs 4401 through 4414. Note: Full year 2000 U.S. data shows an overall decrease in Portuguese agriculture, fish and forest product imports from the U.S..

Table 6 - Modulation Regime

Direct Supports Subject to Modulation	Modulation Rate (%)
Less or Equal to $ 32.6 Thousand	0.0
Between $ 32.6 and $ 35.3 Thousand	0.0 to 7.5
Between $ 25.3 and $ 43.5 Thousand	10.0
Between $ 43.5 and $ 65.2 Thousand	12.5
Between $ 65.2 and $ 87.0 Thousand	15.0
Between $ 87.0 and $ 130.4 Thousand	17.5
Above 130.4 Thousand	20.0

Table 7 - 2000/06 EU Structural Package to Agriculture

	Investment Cost	Total Subsidy	Structural Funds
	Units: Million USD		
Community Structural Funds (CFS III)			
POADR (AGRO Program)	2,934	1,537	1,065
Feoga Component	2,790	1,392	956
Fisheries Operational Plan	318	203	155
Vineyard Plan (VITIS)	164	133	90
Regional Operational Plans			
Regional Agricultural Measures (Program AGRIS)	1,190	866	594
North	387	265	195
Center	315	222	158
Lisbon & Tejo Valley	204	163	93
Alentejo	222	167	115
Algarve	62	49	33
Regional Fisheries Measures	152	97	47
Special Programs			
TOTAL	236	189	109
Sectorial-Base Integrated Action for Interior Pinewood land	48	35	22
PEDIZA	188	154	87
RURAL DEVELOPMENT PLAN	**-**	**1,595**	**1,197**
Early Retirement	-	61	46
Support to Disfavored Regions	-	413	310
Agro-Environmental Measures	-	710	533
Farm Afforestation	-	410	307
Plan Assessment	-	1	1
LEADER		**141**	**141**
TOTAL STRUCTURAL FUNDS FOR AGRICULTURE		**4,761**	**3,398**