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Portugal

Grain and Feed

Annual Grain Report

1999

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Report Highlights:

Production forecasts for 1999/00 include a slight increase expected for winter grains relative to the previous year, while little change is expected for rice and corn. Feed consumption is expected to decline as Portugal's livestock sector will need to contract in the face of abundant meat supplies throughout the EU. Prospects for U.S. grain exports to Portugal remain bleak as problems surrounding EU approval of U.S. corn varieties precludes U.S. corn shipments. 1 USD = 178 Pte.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Winter grain area is estimated to be significantly higher than the abnormally low 1998 levels. Due to better seeding conditions, wheat area is estimated to have increased 44 percent, while that for barley is estimated to have more than doubled. For spring planted crops, a slight reduction in rice area is expected due to dropping producer prices, while corn area is forecast to remain stable as EU-imposed limits prevent expansion. As a result of the area increases, wheat and barley production is forecast to grow in 1999/00. No significant year-to-year change is expected for corn and rice production. Despite the expected marginal increases in grain production, Portugal will remain a significant net grain importer, purchasing about 1.2 million tons of wheat and one million tons of corn.

During 1998/1999, overall grain consumption for feed is forecast to increase due primarily to increased consumption of feed wheat, which has been spurred by low feed wheat prices from other EU countries. In 1999/2000, a reduction in feed grains consumption is expected due to a 2 to 3% estimated reduction in total compound feed demand. The surplus in EU meat markets and higher costs associated with new food security norms, BSE controls in particular, are among the factors depressing Portugal's livestock sector, and with it feed demand.

A reduction in grain imports is forecast for 1999/2000 as a consequence of the higher expected local winter grain output and lower demand from the feed sector. Total wheat imports are forecast at 1.2 million tons, barley at 200,000 tons, corn at about 1 million tons, and rice at 134,000 tons. Precluded from exporting to the EU due to the EU's failure to approve certain transgenic corn varieties for commercialization, U.S. exporters are unlikely to gain any share of Portugal's 500,000 ton reduced-duty corn quota, trade that had traditionally been dominated by U.S. supplies. The U.S. is exporting moderate quantities of rice under the EU rice quota for the US, which are usually made via northern EU ports and later transhipped into Portugal.

The Portuguese grains sector profits from EU-set subsidies which are supplemented by national EU co-financed subsidies. The national subsidies are scheduled to be eliminated in 2003. In addition to any reductions under CAP Reform, the removal of the grain supports will have a dramatic effect on Portugal's highly subsidy-dependent grain sector.

1 USD = 178 Pte

TOTAL WHEAT

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	260	277	122	147	0	212
Beginning Stocks	230	230	229	229	180	180
Production	325	325	143	143	0	255
TOTAL Mkt. Yr. Imports	1200	1200	1400	1400	0	1220
Jul-Jun Imports	1200	1200	1400	1400	0	1220
Jul-Jun Import U.S.	15	0	0	0	0	0
TOTAL SUPPLY	1755	1755	1772	1772	180	1655
TOTAL Mkt. Yr. Exports	76	76	30	30	0	29
Jul-Jun Exports	76	76	30	30	0	29
Feed Dom. Consumption	452	452	564	564	0	450
TOTAL Dom. Consumption	1450	1450	1562	1562	0	1446
Ending Stocks	229	229	180	180	180	180
TOTAL DISTRIBUTION	1755	1755	1772	1772	0	1655

Production

The national statistics institute INE reports a 44% increase in total 1999 wheat area compared to particularly low levels in 1998. At 92% the 1994-98 average, estimated area remains reduced. The national grain growers association ANPOC reports that unusually dry Autumn and Winter weather conditions this year have discouraged farmers from seeding long-cycle winter grains. Areas of other long-cycle winter grains also are under the 1994-98 average, with INE estimating areas of triticale, oats and rye at 28,000, 64,000 and 50,000 ha; 70, 94 and 84% of the 1994-98 average, respectively. With generally improved growing conditions compared to 1998, yields should be better than the previous marketing year.

Consumption

A large share of locally produced wheat is used in feed as a consequence of the poor milling characteristics of the Portuguese wheat crop. Total wheat used for milling is expected to continue its slight downward trend in 1999. The Portuguese federation of food industries (FIPA) reports a reduction in soft wheat demand for the production of wheat bread, whereas consumption of durum has stabilized in association with pasta consumption.

trends. FIPA reports that in 1997 the milling industry produced 680,000 Mt of flour and 60,000 Mt of semolina. The wheat milling sector is highly concentrated, with 35 soft wheat millers, of which 5 hold 53% of the flour market. There are 3 durum millers.

Use of feed wheat is forecast to increase in 1998/99 as a consequence of price trends in the EU, where feed wheat prices have hovered around 90 to 108% of intervention price. In spite of expected continuation of low prices, feed wheat use is expected to drop somewhat in 1999/2000 as a result of a reduction in compound feed demand associated with current problems affecting the local livestock sector.

Policy

Wheat production benefits from the EU subsidy regime whereby wheat areas are eligible to 54.34 EUROS/Mt, which is converted through productivity coefficients according to the national regionalization plan. Additionally, soft wheat growers are eligible for a national EU co-financed producer subsidy which is currently set at 53 EUROS/Mt. The co-financed subsidy, a remnant of the special EC-Accession package, will be gradually phased until it is to be eliminated in 2003. A different regime applies to durum wheat (see Durum Wheat Section).

(1 EURO = 200.482 Pte)

DURUM WHEAT

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	27	28	22	26	0	90
Beginning Stocks	10	10	10	10	10	10
Production	44	29	36	25	0	90
TOTAL Mkt. Yr. Imports	109	121	110	118	0	70
Jul-Jun Imports	109	121	110	118	0	70
Jul-Jun Import U.S.	0	121	0	0	0	0
TOTAL SUPPLY	163	160	156	153	10	170
TOTAL Mkt. Yr. Exports	2	2	0	0	0	5
Jul-Jun Exports	2	2	0	0	0	5
Feed Dom. Consumption	15	15	10	10	0	20
TOTAL Dom. Consumption	151	148	146	143	0	153
Ending Stocks	10	10	10	10	10	12
TOTAL DISTRIBUTION	163	160	156	153	0	170

Production

Favored by a more flexible subsidy regime, as well as an enlargement of EU-set maximum guaranteed durum area (MGA), total durum area has is estimated to have expanded considerably in 1999. With the EU supplement subsidy being more attractive than the co-financed subsidy paid to other winter grains (even when the MGA is surpassed and penalties are applied) 1999 durum area has reportedly reached 90,000 ha, more than double the EU-assigned quota. Durum area and output in 1997 and 1998 have been revised to reflect latest information from the Office of Planning of the Portuguese Ministry of Agriculture.

Consumption

Total durum consumption is expected to remain stable during 1999/2000 in association with current pasta consumption trends.

Policy

Durum area is eligible for EU area subsidy of 54.34 EUROS/Mt which is converted to area through productivity coefficients set in the national regionalization plan. A 34.45 EUROS/ha supplement is also paid by the EU for a MGA set at 59,000 Ha. In case of MGA surpassement as is anticipated in 1999, the supplemental subsidy will be reduced proportionately. The new durum regime is more flexible than before, as currently the farmers are not required to have individual durum quotas assigned in order to have access to the durum subsidies. Durum can now be cultivated more freely in defined traditional durum areas which include the Alentejo, the Algarve and some regions of the Ribatejo e Oeste. In addition to the MGA, durum production is still subject to certain restrictions which include minimum cultural practices like minimum densities and certified seed use. Further, in order to be eligible to EU subsidies, durum cannot be cultivated in areas where cereals were grown in 1998.

BARLEY

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	43	43	19	19	0	43
Beginning Stocks	21	21	20	20	20	20
Production	39	39	20	20	0	44
TOTAL Mkt. Yr. Imports	217	217	280	258	0	200
Oct-Sep Imports	226	232	280	258	0	200
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	277	277	320	298	20	264
TOTAL Mkt. Yr. Exports	3	3	4	4	0	0
Oct-Sep Exports	4	1	4	4	0	0
Feed Dom. Consumption	98	98	140	120	0	90
TOTAL Dom. Consumption	254	254	296	274	0	244
Ending Stocks	20	20	20	20	20	20
TOTAL DISTRIBUTION	277	277	320	298	0	264

Production

Barley production is forecast to recover in 1999/00 due to an estimated increase in seeded area. There are no official barley area estimates; however, the national grain farmers association ANPOC reports that the farmers are shifting from wheat to barley. Being a shorter cycle crop than wheat, barley is believed to be more adjusted to production conditions this year, and especially to the low levels of sub-soil moisture.

Consumption

Total barley consumption is forecast to be up in 1998/99 as a result of an increase in compound feed production during the second semester of 1998. In addition, a total of 60,000 tons of EU intervention barley has been approved by the EU to be transferred into Portugal as part of a GOP package of measures to support national hog farmers. Actual quantity of intervention barley to be transferred, at any rate considerably under the 100,000 Mt which had early on been requested by the GOP, is uncertain due to regulatory delays and complex requirements. Meanwhile, competition with feed wheat is fierce, and the feed industry reports that continuing attractively-priced feed wheat will curtail a major expansion of barley use in feed. As a consequence of the current outlook

in the livestock sector, total barley use in feed is expected to drop in 1999/2000.

Trade

Below is Portugal's October/September trade matrix for barley for 1996/97 and 1997/98.

PORTUGAL: BARLEY OCTOBER/SEPTEMBER TRADE MATRIX

Import Trade Matrix			
Country	Portugal		
Commodity	Barley		
Time period	Oct/Sept.	Units:	Metric Tons
Imports for:	1996		1997
U.S.	0	U.S.	0
Others		Others	
Spain	106261	U.K.	101071
U.K.	51656	France	68208
France	19162	Spain	33440
Germany	12927	Netherlands	15543
Netherlands	9	Ireland	8166
		Denmark	3203
		Germany	2756
Total for Others	190015		232387
Others not Listed			
Grand Total	190015		232387

Export Trade Matrix			
Country	Portugal		
Commodity	Barley		
Time period	Oct/Sept	Units:	Metric Tons
Exports for:	1996		1997
U.S.	0	U.S.	0
Others		Others	
Spain	2506	Spain	1276
Total for Others	2506		1276
Others not Listed			2
Grand Total	2506		1278

Policy

Barley area is eligible for the EU area subsidy which is set at 54.34 EUROS/Mt to be converted to area basis through application of productivity coefficients according to the national regionalization plan. Like other grains, barley is also eligible for EU co-financed producer subsidy, which in the case of barley, triticale and rye is set at 31.60 EUROS/Mt. 1 EURO = 200.482 Pte.

CORN

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	189	189	189	189	0	189
Beginning Stocks	160	160	170	170	180	180
Production	815	815	830	830	0	815
TOTAL Mkt. Yr. Imports	1108	1108	1074	1074	0	1019
Oct-Sep Imports	1240	1186	1000	1000	0	1019
Oct-Sep Import U.S.	1	0	0	0	0	0
TOTAL SUPPLY	2083	2083	2074	2074	180	2014
TOTAL Mkt. Yr. Exports	4	4	4	4	0	4
Oct-Sep Exports	4	4	4	4	0	4
Feed Dom. Consumption	1409	1409	1390	1390	0	1330
TOTAL Dom. Consumption	1909	1909	1890	1890	0	1830
Ending Stocks	170	170	180	180	0	180
TOTAL DISTRIBUTION	2083	2083	2074	2074	0	2014

Production

Corn production is forecast to decline slightly in 1998/99 due to a mild yield reduction relative to 1998 levels. Grown mostly under irrigation, in 1997/98 corn yields were boosted by exceptionally high rainfall levels. Any possible discouragement caused by irrigation problems associated with low rainfall should tend to be off-set by anticipated area transfers from rice into corn.

Consumption

Most of the corn consumption is directed to the feed sector, with about 500,000 to 600,000 MT being used to produce traditional bread and industry corn by-products (dextrose, HFCS and corn starch). A slight reduction in corn consumption in feed is anticipated for 1998/99 as a consequence of the price increase of corn imported under the Blair House quota. Current low prices for feed wheat and expected shipments of EU intervention barley will also contribute to lower corn use in feed. Another reduction is anticipated for 1999/2000 as a result of an expected decline in feed demand. Meat surplus problems and food safety issues, particularly those associated with Portugal's status regarding BSE which put additional cost restrictions on the feed and livestock sectors, will bring about a 2 to 3% reduction of total compound feed production demand by the feed industry.

Trade

Total corn imports are expected to drop during 1998/99 as a consequence of depressed consumption levels from the feed sector. Problems associated with the EU's approval of Genetically-engineered corn have caused the US to be shut out of the 500,000 Mt Blair House quota in 1998/99. Since January, when the first tranche of the 1998/99 quota was open for bidding by the trade, assignments have proceeded at a good rate with Eastern European suppliers as main origins of the quota corn. Through February 12, 249,650 Mt of corn quota had already been assigned with duty abatements ranging between 68.15 and 70.76 EUROS/Mt.

PORTUGAL: CORN OCTOBER/SEPTEMBER TRADE MATRIX

Import Trade Matrix			
Country	Portugal		
Commodity	Corn		
Time period	Oct./Sept.	Units:	Metric Tons
Imports for:	1996		1997
U.S.	491493	U.S.	10
Others		Others	
France	450823	France	563222
Spain	115979	Spain	139627
U.K.	2864	U.K.	3092
Other EU	342	Other EU	620
Argentina	231	Argentina	400121
South Africa	212	Hungary	50805
Canada	85	Romania	16243
Australia	21	Ukraine	10989
Total for Others	570557		1184719
Others not Listed			1210
Grand Total	1062050		1185939

Export Trade Matrix			
Country	Portugal		
Commodity	Corn		
Time period	Oct./Sept.	Units:	Metric Tons
Exports for:	1996		1997
U.S.	0	U.S.	6

Others		Others	
Spain	1659	Spain	3348
Other EU	186	Angola	563
Cape Verde	2094	Guinea Bissau	88
Angola	67	Cape Verde	39
Australia	21		
Total for Others	4027		3999
Others not Listed	3		39
Grand Total	4030		4044

Policy

Corn production is eligible for an EU area subsidy of 54.34 EUROS/Mt to be converted through application of productivity coefficients as defined in the national regionalization plan. Corn growers are still eligible for a national EU co-financed set at 24.95 EUROS/Mt in 1999. This subsidy will be phased out in 2003.

RICE

Production, Supply & Distribution Table

PSD Table						
Country	Portugal					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	29	29	29	29	0	27
Beginning Stocks	42	42	42	42	43	43
Milled Production	115	115	117	117	0	108
Rough Production	164	164	167	167	0	155
MILLING RATE (.9999)	7000	7000	7000	7000	0	7000
TOTAL Imports	123	123	130	130	0	134
Jan-Dec Imports	100	100	150	130	0	134
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	280	280	289	289	43	285
TOTAL Exports	15	15	16	16	0	15
Jan-Dec Exports	14	14	16	16	0	15
TOTAL Dom. Consumption	223	223	230	230	0	230
Ending Stocks	42	42	43	43	43	40
TOTAL DISTRIBUTION	280	280	289	289	0	285

Production

Total rice area and output are forecast to decline in 1999 as a consequence of the reduction in the EU-set intervention price, which is expected to cause some growers to divert some area into corn or sugar beets. Rice is mostly produced in the basins of the Mondego, Tejo, Sado and Sorraia rivers. Most of the production comes from areas which are flooded through irrigation canals. A small share of rice production comes from interior regions, where it is irrigated with water originating from private dams. These areas in particular are expected to be reduced, as water levels are low and expected to cause some irrigation problems. Rice is usually seeded in April.

Consumption

Total rice consumption is expected to be up in 1998/99 in association with the low prices of imported rice. Consumption patterns have changed considerably, tending to concentrate in the longer rice types. A recent

market share assessment of different rice types provided by the Portuguese food industries federation FIPA is given below.

MARKET SHARE OF DIFFERENT RICE TYPES

Rice Types	Market Share (%)
<i>Japonica</i>	62.7
<i>Indica</i>	32.2
Medium Grain	3.6
Parboiled	1.0
Short Rice	0.3
Other rice types	0.2

Indica rice has shown the highest expansion rates at the expense of other rice types but Japonica, which has remained stable. The rice marketing sector has undergone structural changes in recent years. FIPA reports that 10 units were closed, and the rice packing industry is now composed of 15 units. The industry is highly concentrated, with the largest unit accounting for 28% of the market and the three largest ones for 40% of sales. Most rice consumed consists of nationally-produced Japonica rice and imported long-grain Thaibonnet (which corresponds to the US L202). Purchase by the industry is made from September to December and the processing is done during the rest of the year.

Rice consumption has tended to become regular year-around. However, it peaks slightly in Christmas and Easter, tending to decline moderately during the Summer months.

Trade

Rice imports originate primarily from the EU (Italy, France and Spain) and from the Caribbean region. Trade patterns are mostly stable (for 1997/98, see PO8034). A trade source reports that during CY 1998, roughly 1,400 Mt of white rice was imported under the EU quota for the US via Rotterdam.

Policy

Portugal has a Maximum Guaranteed Area of 34,000 ha, which has never been reached. The roughly 15% intervention price reduction (in Portuguese Escudos) that was decided for the 1999/000 marketing year is expected to bring about a reduction in producer prices by that same proportion as a consequence of the direct effects of intervention in surplus EU markets.

EU-SET FARMER SUBSIDIES & INTERVENTION PRICES

Year	1998/99	1999/2000
Producer Subsidy	212 ECUs/Ha	318 EUROS/Ha
Intervention Price	315.90 ECUs/Mt	298.35 EUROS/Mt
	Green Rate	EURO Rate
	1 ECU = 203.183 Pte	1 EURO = 200.482 Pte