

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

Portugal started 2021 with National Lockdown measures fighting to control its worst wave of the COVID-19 pandemic. Despite the pandemic-related challenges, in 2020, the total value of U.S. exports of agricultural and related products to Portugal rose 2.6 percent to \$261 million and stayed well above the five-year average. Notable increases in U.S. sales of tree nuts, pet food, prepared foods, rice, and distilled spirits contributed to the rise. In 2020, lockdown measures and movement restrictions compelled Portuguese consumers to cook and dine at home. These changes in habits continue to position retail and eCommerce as the fastest growing outlets for food sales. This report provides guidance to U.S. companies interested in exporting food products to Portugal including an overview of the country's economic situation, market structure, and export requirements.

Market Fact Sheet: Portugal

Executive Summary

Portuguese agriculture employs 6.5 percent of the country's workforce, a relatively large number accompanied by low productivity levels. Portugal produces mainly olives, citrus, wine, and vegetables. Portugal is the top producer of cork in the world, produced mainly for export. The country also has a significant seafood industry. In 2020, Portugal's total imports of agricultural and related products reached \$13.1 billion, down 3 percent compared to 2019. Almost 50 percent of these imports originated from Spain.

Imports of Consumer-Oriented Products

Portugal is part of the European Union (EU) customs union and imported goods must meet EU sanitary and phytosanitary requirements. Hence, U.S. exporters already exporting to other EU member states will likely already meet most of Portuguese import requirements. For exports of animal products, the production plant must be approved for export to the EU.



Food Processing Industry

The Portuguese food-processing sector's contribution to the national economy, employment, and regional development continues to consolidate its position and importance as a key industrial sector. Portugal has a modern and innovative food-processing sector that pays special attention to the quality, safety, and traceability of the foodstuffs it produces. Hence, the Portuguese food industry offers attractive opportunities for U.S. exporters of food-ingredient.

Food Retail Industry

The Portuguese retail market is highly diversified. In 2019, food sales reached \$16.1 billion. The market is mainly dominated by two national groups, Sonae and Jerónimo Martins are the leaders of the national retail sector accounting approximately for 50 percent of the retail market. In 2020, due in part to the pandemic, Lidl and Intermarché were the only retailers that gained additional market share.

Quick Facts CY2020

World Imports of Consumer-Oriented Products
\$6.2 billion

List of Top 10 Growth Products in Host Country

- | | |
|-------------------------|--------------------------|
| 1) Pistachio | 2) Almond |
| 3) Walnut | 4) Pet Food |
| 5) Processed Vegetables | 6) Prepared Food |
| 7) Rice | 8) Whiskey, exc. Bourbon |
| 9) Frozen fish | 10) Snack food |

Food Processing Industry Facts 2019

Food Industry Output	\$21.1 bn
Food Exports	\$6.1 bn
Food Imports	\$9.1 bn
No. of Employees	115,600
No. of Food Processors	11,500
% of total GDP	12.7%

Top Country Retailers

- | | |
|---|-------|
| 1) Sonae MC | 26.8% |
| 2) Grupo Jerónimo Martins | 22.9% |
| 3) Lidl | 11.3% |
| 4) Intermarché | 8.8% |
| 5) Auchan | 5.6% |
| 6) DIA - Minimpreco | 3.9% |

GDP / Population 2019

Population: 10.3 million
GDP: \$237,698 billion
GDP Per capita: \$25,150

Sources: FIPA, Hipersuper, TDM, GATS, Eurostat

Strengths/Weaknesses/Opportunities/Challenges

SWOT ANALYSIS	
Strengths	Weaknesses
Growing manufacturing industry (food products)	Highly vulnerable to pandemic-sensitive sectors (tourism)
Opportunities	Threats
Lower tariffs on high-end U.S. products (lobster); emphasis on health & sustainability	COVID-19's negative impact on the Hospitality Sector and the economy; rise of food nationalism

Data and Information Sources: Euromonitor, Eurostat, Trade Data Monitor LLC
Contact: AgLisbon@fas.usda.gov

SECTION I. MARKET OVERVIEW

In early 2020, Portugal was enjoying an overall positive economic climate, having recovered well from the financial crisis that hit the country between 2010 and 2014. However, positive economic prospects damped on March 18, 2020, when Portugal declared a nationwide State of Alarm to stop the expansion of the COVID-19 pandemic. The State of Alarm led to the temporary closure of most non-essential shops and businesses. With the gradual relaxation of social distancing measures over the summer, the economy started to recover. Nonetheless, at the time of this report, the country is facing the most dangerous moment of the pandemic with extreme pressure on the health system and rising death toll, and reinforced confinement measures. In addition, travel and gathering restrictions currently in place, will continue to temper economic activity, once again hitting the tourism and hospitality industry.

This situation caused Portugal's economy to decline significantly in 2020. The slowdown reflects lower domestic demand due to COVID-19 pandemic measures, and limitations in key trading partners, particularly other European countries. According to the Portuguese National Statistical Institute (INE) flash estimate, in 2020, GDP contracted 7.6 percent and 5.9 percent in the last quarter of 2020 year-on-year. This represents the most significant economic contraction since Portugal's return to democracy in 1974. However, it was not as deep as the government and other forecasts anticipated in previous estimates, which ranged from 8.1 percent to 10 percent. The government warned it will revise down its 2021 projections given the recent national lockdown forced by the ongoing pandemic wave. Portugal had hoped the economy would rebound 5.4 percent in 2021. Both the short and medium-term economic outlook continue to be highly dependent on epidemiological developments, around which remains a high degree of uncertainty.

Tourism is a strategic sector for Portugal. Before the pandemic hit, tourism represented about 14 percent of Portugal's GDP and 20 percent of exports, as well as an important source of employment. The Confederation of Tourism of Portugal (CTP) estimates that the dramatic drop in tourism activity due to COVID-19 caused the country to lose more than \$12 billion in revenue. Revenues from tourism and air travel are set to decrease by an estimated 60 percent to \$9.7 billion and \$2.5 billion, respectively. The ability for the tourist activity to recover will be critical to Portugal's economic performance in 2021.

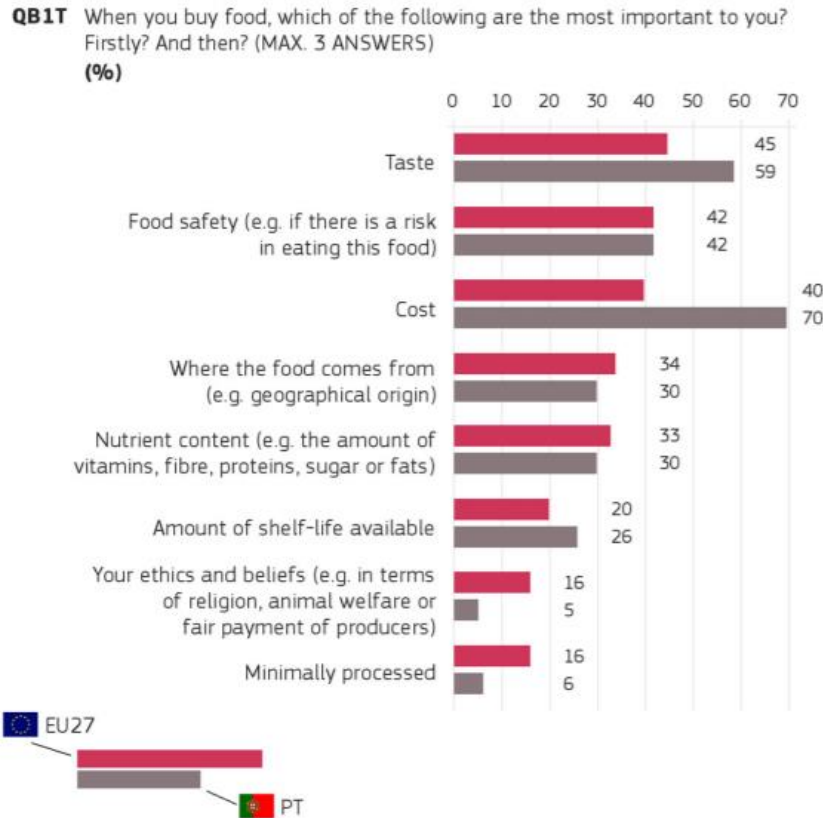
Major Population and Consumer Trends

In terms of population and demographic trends, Portugal's population was 10.3 million in 2019. The Portuguese population is concentrated along the coast. The major distribution centers are Lisbon in the south and Porto in the north. The Lisbon area has the highest purchasing power in the country.

The total population number has been gradually increasing but will likely soon start to decline. The sharp fall in birth rates and the rapid ageing process pose a challenge for market operators. The market will have to adapt to this demographic change and the impact on future consumer trends and preferences. This will create opportunities for new formats and products targeting that segment of the population.

When considering factors influencing food consumption and eating habits, Portuguese consumers show significant deviations from the EU-27 average. According to the *Eurobarometer* consumer survey from the EC's Directorate-General for Health and Food Safety, published in December, on average, European consumers prioritize taste, food safety and cost (in this order) over sustainability concerns when

purchasing food. Taste (45 percent), food safety (42 percent), and cost (40 percent) are the main factors influencing Europeans' food purchases. By comparison, 70 percent of Portuguese consumers consider cost the most important determinant factor when buying food products. In fact, this is the highest percentage in the whole of the EU-27, followed by Lithuania (61 percent). See figure below:



Source: [Special Eurobarometer](#)

The 2008 economic crisis changed the way many Portuguese consumers shop, becoming more price conscious and often waiting for promotions and discounts. Portuguese consumers have retained certain purchasing habits from economically depressed times and still like to search for discounts and promotions rather than paying full price for their products, shopping more frequently but spending less. It is estimated that the weight of promotions in food retailing continued to increase in 2019, accounting for 48 percent of sales, compared to 46.4 percent in 2018. This is a strong characteristic of Portuguese consumers, making them the greater promotional consumers in Europe. This situation is pushing retailers to be creative, to invest in strong marketing strategies and continue a solid effort on price competitiveness and product differentiation.

The second most mentioned reason influencing Portuguese consumers to purchase a food product is taste (at 59 percent). This result is the highest in this category for the EU-27, highlighting the importance of food in the Portuguese culture. On the other hand, whether a food is “minimally processed” or one’s own personal “ethics and beliefs” (for instance, animal welfare concerns) are the least cited and influencing factors.

In general, many Portuguese maintain strong ties and are proud of their connections to different regions of the United States (for example, the Azores and the northeastern United States). Many have traveled and are familiar and appreciate U.S. food products. This provides a welcoming environment for U.S. exporters to market their products and build on the U.S. brand among Portuguese consumers and retailers.

Table 1. Advantages and Challenges Facing U.S. Exporters in Portugal

Advantages	Challenges
Good gateway to Europe and Portuguese speaking countries	Post COVID-19 economic environment; adjustments to the overall economy, and tourism; changes in consumer habits
Domestic distribution systems are efficient and modern	Increased consumer preference towards national food products (food nationalism) following the COVID-19 pandemic
Diversity of food products in the market is increasing.	High transportation costs. Small exporters face difficulties in shipping mixed/smaller container loads versus EU competitors or big exporters.
Consumers are increasingly health conscious, demanding new products.	Food imported from third countries, including the United States, must comply with EU food law, which varies considerably from U.S. regulation and practice
Portugal is a net importer of food and agricultural products	EU labeling, traceability, and packaging laws
U.S. food and agricultural products have a good reputation for quality and reliability	Lack of consumer awareness of U.S. brands, applicability, and varieties of U.S. products

SECTION II. TIPS FOR EXPORTERS

Local Business Customs

Success in introducing your product in the Portugal market depends on acquiring local representation and making personal contact. With the current pandemic restrictions and gathering limitations, as well as the cancelation and postponement of trade shows and other large meetings, Portuguese companies have adapted and are increasingly willing to engage through online interactions. The advantages of local representation include market knowledge, up-to date information and guidance on business practices and trade laws, sales contacts, and market development expertise. Good contacts are important for the exporter to be aware of future contracts and participate in tenders. Having a distributor that is appointed on an exclusive basis is ideal.

English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with contacts in English. Large importers and wholesalers have branch sales offices or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Porto and Lisbon. Typically, food products are imported by an importer, broker, or distributor.

Portugal has sales channels ranging from traditional distribution methods, whereby wholesalers sell to small retailers that sell to the public, to large multinational supermarkets and retail stores. However, personal relationships are still very important, especially within smaller organizations.

Market Entry Strategies

Market entry strategies for U.S. products intending to enter the Portuguese market should include:

1. Market research to assess product opportunities;
2. Advanced calculations of the cost of introducing the product in the Portuguese market to prove its competitiveness in the local market;
3. Identify an experienced distributor or independent reliable agent to advise on import duties, sanitary regulations, and labeling requirements; and
4. Explore the purchasing arrangements of the larger retail channel.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

Food Standards and Regulations

For detailed information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standards Report ([FAIRS](#)) and the [FAIRS](#) Export Certificate Report for the [EU](#) and [Portugal](#). In addition, please check the U.S. Mission to the European Union ([USEU Mission](#)) web page for helpful information on exporting U.S. food and agricultural products into the European Union.

General Import and Inspection Procedures

Portugal follows the Harmonized Nomenclature and Classification System (HS) and applies [EU import duties](#) according to a maximum and minimum rate schedule. The minimum tariff rate is applied to goods originating in countries entitled to the benefits of most-favored nation treatment—that is, members of the World Trade Organization (WTO), including the United States, and countries with which the European Union has signed trade agreements. In some instances, [negotiations and trade agreements](#) in place between the European Union and other countries provide for advantageous access to the European market.

Currently, the European Union and the United States have the following agreements and arrangement in place:

- [US-EU Organic Equivalency Arrangement](#)
- [US-EU Wine Agreement](#)
- [Veterinary Equivalency Agreement](#)

The local importer has primary responsibility with the Portuguese Government for imported food products once they enter Portugal. Therefore, the Portuguese agent or importer should guide the U.S. exporter through the entire process of marketing a U.S. food or agricultural product in Portugal.

Most food products require an Import Certificate issued by the competent authority. The Portuguese importer obtains the Import Certificate and/or the agent involved in the transaction and serves for tariff classification purposes.

The following documents are required for ocean or air cargo shipments of food products into Portugal:

- Bill of Lading and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate, when applicable
- Import Certificate

The Standard U.S. label does not comply with EU labeling requirements. For all the details, visit the [EU labeling requirements](#) section of the [USEU Mission](#) webpage.

Please keep in mind that if the product you are exporting into Portugal does not comply with EU harmonized regulations, Portuguese customs or health authorities may not allow entry of the product.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Table 2. Best Consumer-Oriented Product Prospects Based on Growth Trends

Product Category	U.S. Exports 2020	5-Year Average Import Growth (% Value)	Key Constraints	Attraction for U.S. Exporters
Pet Food	\$4.6 million	47%	Complying with all import requirements.	Good image of U.S. products. Innovative products are attractive.
Tree Nuts	\$8.6 million	12%	Production is insufficient to satisfy increasing demand.	Reliable domestic market for U.S. almonds, pistachios, and walnuts.
Distilled Spirits	\$2.5 million	29%	Tariffs on bourbon. Current HRI situation.	Increasing interest in U.S. distilled drinks.
Fish Products	\$11.5 million	13%	Competition from other EU member states and third countries.	Good reputation of U.S. fish and seafood. High per capita consumption.
Rice	\$3.4 million	187%	Strong competition from main world suppliers with large productions and competitive prices.	Limited local supply. Consumers open to new varieties.
Pulses	\$4.6 million	38%	Strong competition from Argentina, who largely increased exports in recent years.	Traditional consumer; local production is not sufficient to fulfill domestic demand.

Source: [GATS](#)

Food Retail Sector

In early 2020, during the lockdown measures in response to the COVID-19 pandemic, the Portuguese food retail and distribution sector was considered an essential activity and continued to function.

Despite facing some initial difficulties and adjustments during the first month of the pandemic, no major disruptions of the supply chain or food shortages were reported throughout 2020. In this regard, according to the Equação Lógica report, 68 percent of consumers considered that food distributors made a positive contribution to the pandemic response. Continente and Pingo Doce were the most mentioned brands.

Changing consumer habits and the development of new technologies are leading the sector to develop new commercial formats and greater diversification. Online shopping became a safe shopping experience, and in some cases, the only possible way to access certain products and services. Proximity became more important, both for convenience and in response to the rising desire to support local farmers which gave prevalence to Portuguese products/brands and neighborhood commerce. Thus, the COVID-19 crisis revitalized consumer preferences for domestic foods. In Portugal, this trend is expected to continue beyond the pandemic, in a sense of responsibility and support of local companies and producers. The Ministry of Agriculture and supermarket chains have carried out several campaigns encouraging consumers and retailers to purchase local products.

Another key channel during the pandemic has been e-commerce, particularly in urban areas. According to the survey by Logical Equation, 90 percent of Portuguese consumers who bought online in 2020 were satisfied with the process; 54 percent indicated total satisfaction, according to the study cited by Marketeer. However, just 26 percent of consumers between 45 and 70 years of age tried e-commerce. The higher incidence of online shopping was with consumers in the Greater Lisbon area.

Top Portugal Country Retailers in 2020

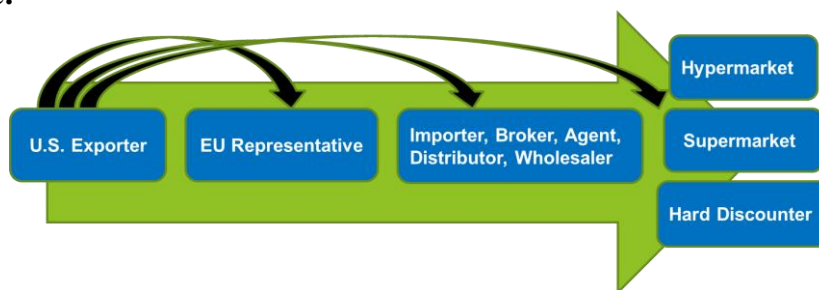
Retail Organization	Ownership	Market Share
Sonae MC	Portuguese	26.8%
Grupo Jerónimo Martins	Portuguese	22.9%
Lidl	German	11.3%
Intermarché	French	8.8 %
Auchan	French	5.6%
DIA - Minipreço	Spanish	4.1%

Source: [Hipersuper](#)

The competitive environment is quite concentrated in the grocery store-based retailing, with Sonae MC (Continente) accounting for the largest share, followed closely by Pingo Doce. The concentration has considerably increased in the last decade and currently, the six major distributors account for almost 80 percent of total share; just the two larger distribution groups account for almost 50 percent of the total share. Despite the ferocious competition, new foreign groups such as Aldi and Mercadona, are expecting to reinforce their presence in the market by 2021.

In July 2019, Mercadona, a major Spanish food retail group, entered the national market. Mercadona is the fifth Spanish food distributor to enter the Portuguese market after DIA, Coviran, Frois and El Corte Ingles. The retailer's expansion plan for Portugal has not changed with the pandemic and the company ended 2020 with 20 stores in the country. In the next seven to eight years, Mercadona plans to have between 150 and 200 stores scattered across the country, thus becoming a relevant player fighting for market share.

Market Structure:



For more information on the Portuguese retail sector, visit [FAS GAIN Home](#).

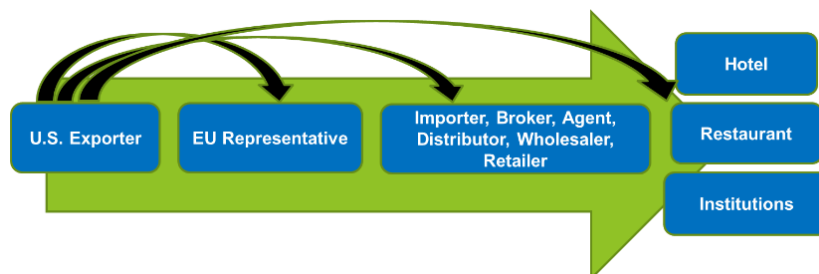
Hotel, Restaurant and Institutional Sector

The tourism sector is key to the Portuguese economy. In 2019, tourist revenues contributed 8.7 percent to national GDP. Thus, the impact of the COVID-19 health crisis on the Portuguese Hotel, Restaurant and Institutional (HRI) sector has been devastating. Despite the briefly improved health situation during the summer, the activity in the country's large hospitality industry has remained well below capacity for the most part and is not expected to fully recover in the short term. The outlook for the sector has been further darkened by the current third wave rise in infections.

In 2020, tourism activity is expected to drop by more than 60 percent in guests and overnight stays, according to the preliminary data released by the National Statistics Institute (INE). There is no doubt that the pandemic continues to severely discourage tourism, the continuous changes in travel restrictions are also delaying economic recovery. The third wave of infections brings another layer of uncertainty on top of the already gloomy economic prospects.

According to Euromonitor, foodservice volumes were badly affected in 2020, because of restaurant and cafés closures in response to COVID-19. This is changing the behavior of Portuguese consumers, who are moving towards takeaway and home-delivery purchases. Although these channels were already growing before the pandemic, consumption generally mostly took place at weekends, particularly when there was the option for free or cheap delivery. In 2020, social isolation is encouraging consumers to make use of those services throughout the week. Restaurants and big retailers are beginning to tailor their offers to cater for the fact that food deliveries are now in much greater demand.

Market Structure:



For more information on the Portuguese HRI sector, visit [FAS GAIN Home](#).

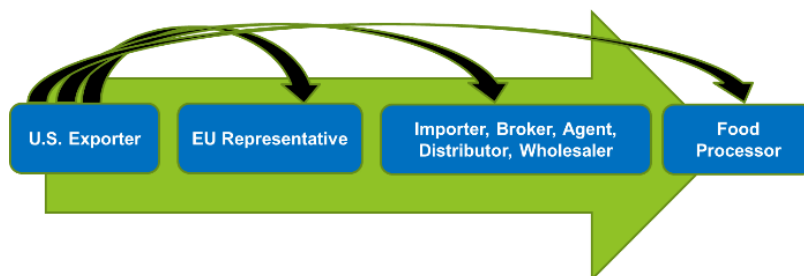
Food Processing Sector

The agri-food industry is increasingly a strategic sector for Portugal, given its contributions to the economy, employment, and regional development. In 2019, it is estimated that this sector included 11,500 companies, with 115,600 direct jobs. The food industry in Portugal consists of mostly small and medium sized companies. The industry produced \$21.1 billion worth of food products in 2019. Exports continue to be critical for the development of the industry and, in 2019, were valued at \$6.1 billion.

Until 2019, the sector recorded growth, both in the domestic market and in exports. Naturally, 2020 brought an unprecedented challenge. In 2020, the growth within the sector has been asymmetric. Some subsectors with growth volumes in the early days of the pandemic (processed, canned, easy to store products), stabilized eventually. The ongoing closures of the HRI channel and the limited number of tourists, severely hit those companies highly dependent on the hospitality channel and the sector's performance fell in double figures.

To a certain extent, 2021 will be a decisive year for the Portuguese agri-food industry. The industry expects the focus during first semester will again be resilience, trying to keep businesses running to respond to consumers demand, but difficulties in the internal market are expected. Nevertheless, this resilient and innovative food processing sector offers prospects for U.S. food ingredients. The industry intends to continue to work on export markets, which are critical to the prosperity of the industry.

Market Structure:



For more information on the Portuguese food processing sector, visit [FAS GAIN Home](#).

SECTION V. AGRICULTURAL and FOOD IMPORTS

Table 3. Agricultural and Food Import Statistics

AGRICULTURAL PRODUCTS IMPORTS (\$ Million)	2016	2017	2018	2019	2020
Total Agricultural and Related Products	11,514	12,903	13,988	13,500	13,067
Total U.S. Agricultural and Related Products	237	205	412	319	249
Total Agricultural Products	3,053	3,376	3,649	3,487	3,133
Total U.S. Agricultural Products	55	50	71	64	55
Total Consumer-Oriented Products	5,068	5,656	6,277	6,212	6,164
Total U.S. Consumer-Oriented Products	14	19	19	15	17
Total Fish Products	2,110	2,389	2,563	2,392	2,153
Total U.S. Fish Products	21	16	27	31	21

Source: Trade Data Monitor

Best High-Value, Consumer-Oriented Product Prospects Category

Products Present in the Market with Good Sales Potential

Tree nuts, particularly almonds, walnuts, and pistachios; Frozen Fish (cod and salmon) -- Pulses (chickpeas) -- Rice – Distilled Spirits -- Pet food

Products Not Present in Significant Quantities with Good Sales Potential

Functional and innovative health food -- Free-from products (lactose-free, gluten-free) -- Snacks foods (popcorn, sweets) – Food preparations

Products Not Present Because They Face Significant Barriers

Red meat and meat preparations (hormone ban) -- Poultry (sanitary procedures - chlorine wash) -- Processed food (with GMO ingredients)

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the [Office of Agricultural Affairs](mailto:AgLisbon@fas.usda.gov) at AgLisbon@fas.usda.gov. In addition, the [FAS website](#) offers recent reports of interest to U.S. exporters interested in the Portuguese market. Additionally, please see below useful contacts:

Portuguese Trade Associations

[FIPA - Federação das Indústrias Portuguesas Agro-Alimentares](#)

(Portuguese Federation of Agri-Food Industries)

[ACOPE – Associação Dos Comerciantes de Pescado](#)

(Portuguese Seafood Traders Association)

[ANCIP – Associação Nacional de Industriais de Conservas de Peixe](#)

(Portuguese National Association of Canned Fish Manufacturers)

[AHRESP – Associação da Hotelaria, Restauração e Similares de Portugal](#)

(Portuguese Hotel and Restaurant Association)

Portuguese Government Regulatory Agencies

[Direção-Geral de Agricultura e Desenvolvimento Rural](#)

(Directorate General of Agricultura and Rural Development)

[Autoridade de Segurança Alimentar e Económica](#)

(Economic and Food Safety Agency)

[Direção-Geral de Alimentação e Veterinária](#)

(Directorate-General of Food and Veterinary Medicine)

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov

Attachments:

No Attachments.