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Portugal

Exporter Guide

Annual

2002

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Report Highlights:
This report provides information on Portugal's value-added food market and provides practical tips to U.S. companies regarding exporting to Portugal, an increasingly bigger but frequently overlooked market.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1], PO

SECTION I. MARKET OVERVIEW

Since Portugal's entry into the European Community in 1986, the country has undergone a remarkable transformation, experiencing rapid economic growth through the 1990's. Portugal has witnessed steady economic convergence with its wealthier European neighbors. Portugal's GDP per capita, which was 53 percent of the EU average in 1985, rose to 79 percent 1999. Membership in the European Union has also deepened Portugal's trade relations with Europe, with other EU member states accounting for 78 percent of Portuguese imports and 83 percent of exports in 2001.

The Portuguese economy experienced robust economic growth throughout the 1990's, driven primarily by investment and domestic consumption. Growth slowed considerably in 2001, to 1.9 percent, but was still slightly faster than in other Euro countries, which had an average growth of 1.5 percent. Portugal's 2001 unemployment rate, still relatively low, was 4.4 percent, compared to 7.6 percent in the EU overall.

Portuguese imports and exports expanded rapidly during the 1990's, owing to the EU open internel market and rising purchasing power in Portugal which fueled the demand for foreign goods. From 2000 to 2001, U.S. total exports to Portugal increased from $957 million to $1.26 billion, a 32 percent jump. The increasing influence of both imports and exports show the rapid integration of Portugal into the global economy.

For U.S. firms, Portugal's emergence as a full partner in Europe has meant a stable location open to foreign investment and an increasingly attractive market for exports. Portugal is an independent European market of ten million people that is somewhat under-served by U.S. suppliers and exporters because it is not one of the large European countries. Though not among the leading markets for U.S. agricultural products and despite the fact that Portugal does not rank at the top of the lists of new markets to explore, U.S. exporters should not ignore the Portuguese market. Portugal does have a number of things going for it that argue for U.S. firms to pay closer attention: significant indirect U.S. imports; strong trade links as the preeminent supplier to former Portuguese-speaking colonies in Africa; and the prospect for improved growth in 2003 stemming in part from ongoing EU investment.

In Portugal, modern sales techniques still coexist with some traditional practices. Modern sales techniques are generally accepted and effective but traditional values continue to be respected. Many businessmen still consider personal contact and a handshake stronger than a contract, but they will not be offended if a formal contract is requested. Portugal is a relatively small country and most sales channels cover the entire territory so multiple distributors are generally not necessary. Distribution centers tend to be located in the cities of Lisbon in the south and Porto in the north. However, many large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, including those of the Portuguese islands of Madeira and the Azores.

As a fully integrated member of the EU, Portugal abides by the rules and regulations governing the EU. If an American exporter is already exporting to any other EU country, then more than likely the exporter already meets many of the requirements for exporting to Portugal. To expedite marketing, U.S. exporters must contact Portuguese importers and/or distributors. The Office of Agricultural Affairs in Lisbon maintains listings of potential importers and provides them to those U.S. suppliers who wish to explore market opportunities in Portugal.

Market opportunities for U.S. high-value consumer foods and beverages and edible fishery products exist in Portugal.

Below are key points regarding the market:

- Due to Portugal's economic situation, Portuguese consumers have seen their purchasing power increase every year and increasingly buy on impulse.

- Direct sales, large supermarkets, hypermarkets and shopping malls are part of everyday life.

- Traditional eating habits have changed drastically in the last few years.

- For consumer goods, the decisive selling factors are price, quality, brand name or the product's innovative features.

- Portugal's market size for consumer-oriented products was U.S. $2.1 billion in 2000, with an expected yearly growth rate of two percent through 2006; edible fishery products were U.S. $879 million, with an expected yearly growth rate of two percent through 2006.

Advantages and Challenges Facing U.S. Products in Portugal

Advantages	Challenges
Portugal is a net importer of food and agricultural products.	Importers still have limited knowledge regarding the quality and supplies of U.S. consumer-oriented products.
The small number of Portuguese importers who already handle U.S. food products are aware of its quality.	The strength of the dollar has weakened the price competitiveness of U.S. products.
Domestic distribution systems are efficient.	High marketing costs (advertising, discounts, etc.) are necessary.
Food products in the market are becoming more diversified.	Competition from neighboring EU countries is fierce.
Overall sales of consumer-oriented food products have increased substantially in the last three years.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
The retail food market is very competitive.	Supermarkets and hypermarkets shelf space is extremely expensive.
Consumers are more health conscious, and tastes are becoming more sophisticated.	U.S. competitors who are determined to maintain market share, must conduct annual promotion activities.
Higher purchasing power and an impulse to buy makes Portugal an attractive market.	Importers prefer to take delivery on short notice from neighboring countries to avoid carrying stocks and storage charges.

SECTION II. EXPORTER BUSINESS TIPS

1. Local Business Customs

Success in introducing your product in the market depends on acquiring local representation and making personal contact. 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. While modern sales techniques coexist with some traditional practices, many business people still prefer personal contact as a way of doing business rather than just via fax or phone. English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with private and government contacts in English.

Large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Oporto and Lisbon. Typically, food products are imported by an importer, broker and/or a distributor.

2. General Consumer Tastes and Preferences

As consumer tastes are becoming more sophisticated, the market is increasingly characterized by a trend towards more novelties and specialities, less basic foodstuffs, more fresh fruit, seafood and meat, good vegetables and delicatessen foods. Consumers are also increasingly seeking high quality and attractive packaging. In addition, consumers are more health conscious and interest in wholesome/natural foods is high. Products that were consider luxury products a few years ago, such as mushrooms, asparagus, celery, tropical fruits and vegetables, ice-creams and breakfast cereals, have now become ordinary consumer goods. Influenced by constant advertising in the daily and weekly press and TV, consumers tend to imitate fashionable trends, use new products and adopt new consumption habits.

3. Food Standards and Regulations

Portugal, as an EU member state, follows all rules and regulations that govern food legislation within the European Union. For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standard Report for Portugal (PORTUGAL FAIRS REPORT) - PO2016, dated July 2002. This report should be read in conjunction with the equivalent report done by the FAS Office in the U.S. Mission to the European Commission (USEU). To get copies of these reports, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov and click on "attache reports" to access the search page.

4. General Import and Inspection Procedures

Portugal uses the Harmonized Nomenclature and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff schedule is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is, members of the WTO and countries with which the EU has signed trade agreements) including the United States and most other countries.

The following documents are required for ocean or air cargo shipments of foodstuffs to Portugal:

Bills of Lading and Airway Bills

No consular legalization is required;
Two copies of the document are required;
Portuguese or English language are accepted.

Commercial Invoice

Two copies are required.

Phytosanitary Certificate and/or Health Certificate

See the FAIRS Report for Portugal, PO2016, July 2002.

Import Certificate

Most foodstuffs require an Import Certificate issued by the competent Portuguese agency. However, the Import Certificate is obtained by the Portuguese Importer and/or the agent involved in the business.

For more information on import and inspection procedures please see PO2016, July 2002 - FAIRS Report for Portugal. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov. Also, the Country Commercial Guide published by the Foreign Commercial Service (FCS) of the U.S. Department of Commerce presents a comprehensive look at Portugal's commercial environment using economic, political and market analysis. Country Commercial Guide may be accessed via the World Wide Web at http://www.stat-usa.gov, http://www.state.gov and http://mac.doc.gov.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

1. Food Retail Sector

The Portuguese retail food market is very competitive and domestic distribution systems are efficient. Hypermarkets, supermarkets, convenience stores, hard-discount stores and specialized stores still coexist with the traditional trade, namely grocery stores and wet markets.

- In 1999, the total number of retail outlets was estimated at 27,556, which account for about three stores per 1,000 inhabitants.

- In 1999, total retail food sales were estimated at US$6.2 billion.

- The retail food sector is forecast to grow two percent during the next five years.

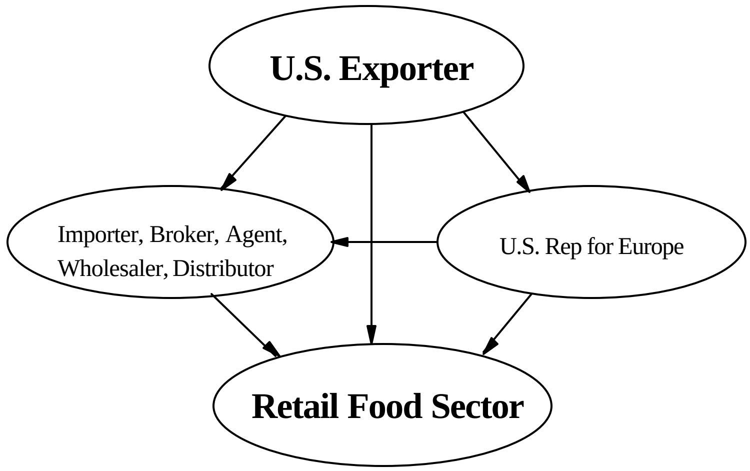
- Around 70 percent of the food purchases are made in hyper- and super-markets, and this share is expected to continue to increase.

- An increasing supply of imported products has intensified competition among suppliers and retailers, adding increasing demand for high quality and attractive packaging.

- In 2000, consumer-oriented total imports amounted to U.S.$2.1 billion dollars.

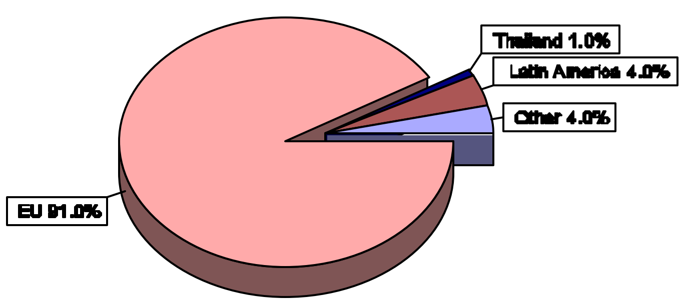
- The rest of the European Union is the first supplier of imported consumer-oriented products, accounting for 91 percent of total imports.

- Market structure:



For more information on the Portuguese Retail Food Sector, please consult the sector report PO1026, dated October 2001. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

Competion for Portugal's Imported Consumer Oriented Food Products



2. HRI Sector

Portugal's HRI sector expanded significantly during the '80's and early '90's due to social and economic changes, particularly the entry of more women in the labor force. The importance of the sector in Portugal and the continued specialization and growing level of management expertise among HRI leaders makes this sector an important area for food exporters to target.

- Total number of restaurant units rose from 25,000 some 20 years ago to a total of 90,000 at present and employ 500,000 people.
- Restaurant sales are currently estimated at about 15 Billion Euros.
- The HRI sector is forecast to expand at a 1-2 percent annual rate over the next five years.
- Restaurant chains are gaining a larger share of the market (accounting for eleven percent of the total number of units) and market share is expected to continue to grow in the future.

The large quantities of food sold through the HRI channels make it an important sector as food distribution channels are concerned. However, U.S. suppliers remains affected by some restrictions:

- Trade barriers, whether tariff or non-tariff, remain critical for a number of products, including most raw meats.
- A mature EU food industry tends to restrict product areas in which the U.S. is a competitive exporter.
- Key Portuguese HRI suppliers are:
    - Traditional wholesalers
    - Local markets (mainly for fresh produce)
    - Supermarkets and/or hypermarkets
    - Cash & Carries

For more information on the Portuguese HRI Sector, please consult the sector report PO9013, dated May 1999. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Fish and Seafood (Lobster, Salmon, Frozen Seafood)
Walnuts
Peanuts
Edible Pulses
Wine, Beer and Bourbon
Dairy Products
Fruit Juices and Non-Alcoholic Beverages
Fresh Fruit and Vegetable
Processed Fruits and Vegetables
Dried Fruits and Dried Fruit Mixes
Frozen Vegetables, including French Fries
Microwavable Food Products, Frozen and Non-Frozen
Ready-to-eat Food Products, Frozen and Non-Frozen
Sauces and Condiments
Snack Foods
Breakfast Cereals
All Kinds of Low Calorie Products
Food Supplements and Health Foods
Herbal Teas
Pet Food
Organic Food Products
Ethnic Foods

SECTION V. 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 in Lisbon at the following address:

Office of Agricultural Affairs Lisbon
US Embassy
Av. Das Forças Armadas
1600-081 Lisboa
Tel: 351-217702358
Fax: 351-217269721
email: aglisbon@mail.esoterica.pt
Home page: http://homepage@esoterica.pt/~aglisbon

Please consult our home page for more information on exporting U.S. food products to Portugal, including "The Food Retail Sector Report" and "The HRI Food Service Sector Report". Importer lists are available from our office to exporters of U.S. food products. A list of Portuguese trade associations and useful government agencies is provided below:

1. Portuguese Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição
(Portuguese Association of Distribution Companies)

Campo Grande, 285-5º
1700-096 Lisboa
Tel: 351-21-751-0920
Fax: 351-21-757-1952

ARESP-Associação da Restauração e Similares de Portugal
(Portuguese Associations for HRIs Sector)

Av. Duque d'Avila, 75
1000 Lisboa
Tel. 351-21-352-7060
Fax: 351-21-354-9428

FIPA-Federação das Indústrias Portuguesas Agro-Alimentares
(Federation of the Agro-Food Portuguese Industries)

Av. António José de Almeida, 7-2º
1000 Lisboa
Tel: 351-21-793-8679
Fax: 351-21-793-8537

2. Useful Government Agencies

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar
(General Directorate for Control of Food Quality)
Av. Conde Valbom, 96
1050 LISBOA
Tel. 351-21-798-3600
Fax: 351-21-798-3834

Direcção Geral da Alfandega
(Customs General Directorate)
Terreiro do Trigo
1100 Lisboa
Tel. 351-21-886-1059
Fax: 351-21-888-3686

Direcção Geral das Relações Ecómicas Internacionais
(General Directorate for International Economic Relations) (Import Certificates)
Av. Da República, 79
1094 LISBOA CODEX
Tel. 351-21-793-3002
Fax: 351-21-796-3723

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

APPENDIX I. STATISTICS

Key Trade & Demographic Information

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 2000**	**$5,241/4 %**
Consumer Food Imports From All Countries($Mil)/U.S. Market Share (%) [1/] **2000**	**$2,111/1 %**
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 2000**	**$879/3%**
Total Population (Millions) / Annual Growth Rate (%) **- 2001**	**10.0/0.3%**
Urban Population (Millions) / Annual Growth Rate (%) **- 2001**	**3.5/0.1%**
Number of Major Metropolitan Areas	**2**
Size of the Middle Class (Millions) / Growth Rate (%) [2/] **- 2001**	**4.4/0.1%**
Per Capita Gross Domestic Product (U.S. Dollars) **- 2001**	**$10,287**
Unemployment Rate (%) **- 2001**	**4.4%**
Per Capita Food Expenditures (U.S. Dollars) [3/] **- 2001**	**$4,700**
Percent of Female Population Employed **- 2001**	**65%**
Exchange Rate (US$1 = 1 Euro) **September 2002**	**0.98 Euros**

1/ FAS' Global Agriculture Trade System using data from the United Nations Statistical Office.
2/ Data is divided as follows: 31.7% Middle Class + 15.3% High MiddleClass.
3/ Office estimate.

Portugal's Food Imports ($ Million)

Portugal Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	**1998**	**1999**	**2000**	**1998**	**1999**	**2000**	**1998**	**1999**	**2000**
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,931	2,225	2,111	10	12	6	1	1	0
Snack Foods (Excl. Nuts)	171	195	171	1	1	1	0	0	0
Breakfast Cereals & Pancake Mix	28	36	40	0	1	1	0	0	0
Red Meats, Fresh/Chilled/Frozen	332	387	407	0	0	0	0	0	0
Red Meats, Prepared/Preserved	52	60	56	0	0	0	0	0	0
Poultry Meat	18	19	23	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	125	153	175	1	1	1	0	0	0
Cheese	52	63	63	1	0	0	0	0	0
Eggs & Products	10	9	10	0	0	1	0	0	3
Fresh Fruit	289	278	249	1	1	1	0	0	0
Fresh Vegetables	116	107	90	0	0	0	0	0	0
Processed Fruit & Vegetables	138	159	151	1	1	1	0	0	0
Fruit & Vegetable Juices	63	77	56	1	1	1	0	0	0
Tree Nuts	21	23	20	3	4	1	13	18	3
Wine & Beer	117	177	133	1	1	1	0	0	0
Nursery Products & Cut Flowers	40	47	46	1	1	1	0	1	1
Pet Foods (Dog & Cat Food)	45	58	55	3	3	1	8	5	2
Other Consumer-Oriented Products	313	377	366	2	2	2	1	1	1
FISH & SEAFOOD PRODUCTS	921	1,035	879	18	51	23	2	5	3
Salmon	14	17	18	1	1	1	3	2	3
Surimi	7	4	4	1	1	1	8	8	6
Crustaceans	120	125	118	1	1	1	0	0	1
Groundfish & Flatfish	446	522	412	15	49	20	3	9	5
Molluscs	72	74	64	1	1	1	0	1	2
Other Fishery Products	263	293	263	1	1	1	1	0	0
AGRICULTURAL PRODUCTS TOTAL	4,100	4,137	3,850	174	167	170	4	4	4
AGRICULTURAL, FISH & FORESTRY TOTAL	5,566	5,699	5,241	228	262	233	4	5	4

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Portugal's Top 15 Food Suppliers

Portugal - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS			
(1,000)	1998	1999	2000
Spain	846,423	985,778	994,520
France	307,404	350,728	330,550
Netherlands	155,272	169,218	156,069
Germany	90,394	149,205	154,977
United Kingdom	89,040	92,915	74,519
Italy	77,743	116,357	62,638
Belgium	0	62,962	62,095
Ireland	44,684	50,411	42,811
Denmark	35,913	38,247	31,872
Brazil	18,404	23,732	25,217
Costa Rica	25,853	13,671	24,993
Thailand	19,664	25,220	22,919
Colombia	10,307	8,683	17,332
Ecuador	22,813	15,320	12,478
Chile	10,015	12,282	9,439
Other	177,060	110,752	88,064
World	1,931,008	2,225,492	2,110,540

FISH & SEAFOOD PRODUCTS IMPORTS			
(1,000)	1998	1999	2000
Spain	269,314	307,438	302,563
Norway	191,676	190,057	114,928
Iceland	71,745	91,435	108,790
Russian Federa	64,675	80,904	46,476
France	36,649	33,757	29,276
Denmark	33,908	64,861	28,511
United States	17,832	51,419	22,980
Mozambique	10,372	20,206	21,925
Netherlands	15,413	13,042	17,385
South Africa	0	0	17,353
Germany	9,473	12,364	15,416
India	7,320	10,299	13,867
United Kingdom	16,747	19,752	12,190
Mauritania	14,135	13,941	11,475
Canada	5,685	9,006	11,004
Other	156,259	116,858	104,802
World	921,219	1,035,345	878,949

Source: United Nations Statistics Division