Required Report - public distribution

Date: 10/08/2003

GAIN Report #PO3021

Portugal

Exporter Guide

Annual

2003

Approved by:
Lloyd Fleck
U.S. Embassy Madrid
Prepared by:
Maria do Monte Gomes

Report Highlights:
This report provides information on Portugal's value-added food market and provides 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.

Riding a crest of positive world economic news and EU investment in the late 1990's, Portugal's economy boomed. In the past couple of years, however, both its economy and government financing have slowed considerably. In 2002, Portugal's budget deficit crossed the Euro area's stability and growth pact limit of 3 percent of GDP. This caused deep cuts in public spending and tax increases. The object was to keep the 2002 deficit at around 2.8 percent of GDP. The fiscal policy belt tightening continued in the 2003 budget. The result is that any economic recovery will rely heavily on foreign demand for Portuguese products. Therefore, the poor overall outlook for the euro area translates to an unpromising forecast for Portugal. Growth in 2002 is estimated to have been 0.4 percent. After some initial optimism early in 2003, many experts now believe Portugal's economic malaise will continue and will register a zero percent growth in 2003. However, a modest recovery is expected in 2004 at 1.9 percent growth.

Portugal's unemployment rate has traditionally been significantly lower than in the rest of the EU. The Portuguese unemployment rate for 2002 was 6.1 percent. However, in the first quarter of 2003, unemployment was estimated at 7.2 percent, nearly doubling that of 2001 at 4.4 percent.

Portuguese imports and exports expanded rapidly during the 1990's, owing to the EU open internal 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 2004 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:

- In spite of the present economic situation, Portuguese consumers have seen their purchasing power increase in recent years and continue to 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. $2.28 billion in 2001, with an expected yearly growth rate of two percent through 2006; edible fishery products were U.S. $957 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.
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 considered 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) - PO3015, dated July 2003. 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, PO3015, July 2003.

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 PO3015, July 2003 - 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

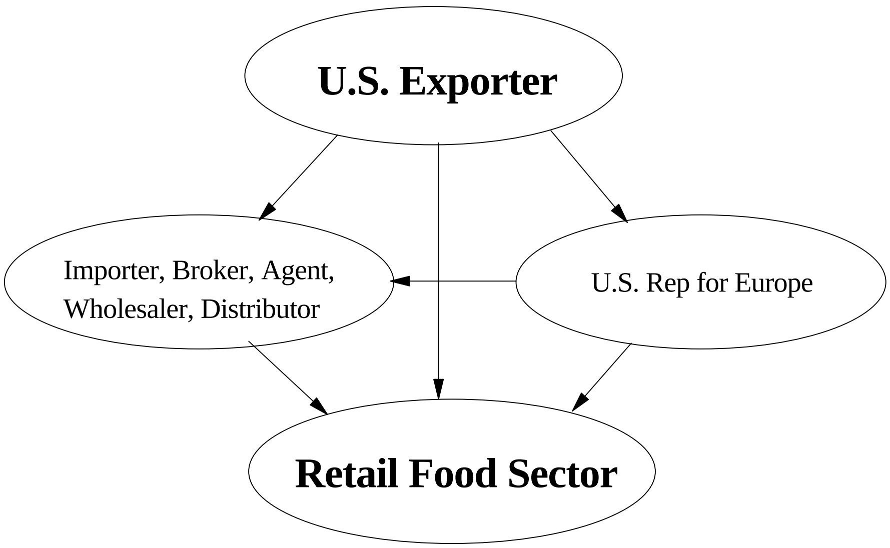
The Portuguese retail food market is very competitive and domestic distribution systems are efficient. Hypermarkets, supermarkets, convenience stores, hard-discount stores and specialized stores still coexist with the traditional trade, namely grocery stores and wet markets.

- In 2000, the total number of retail outlets was estimated at 26,184, which account for about three stores per 1,000 inhabitants.
- In 2000, total retail food sales were estimated at US$7.1 billion.
- The retail food sector is forecast to grow two percent during the next five years.
- Around 70 percent of 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.

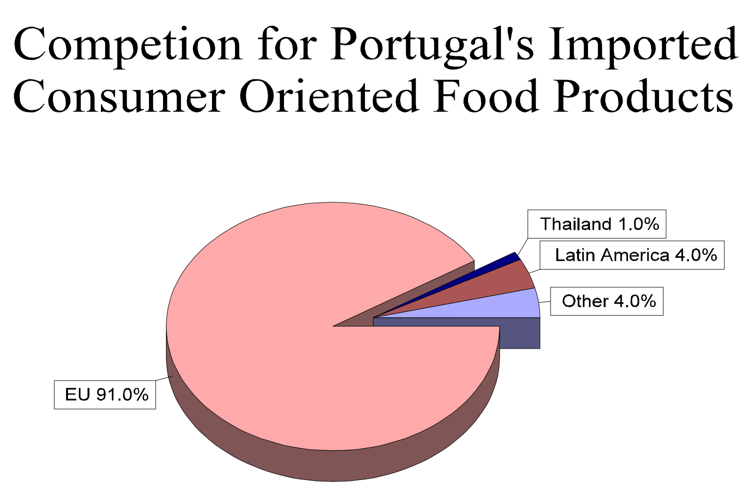
- In 2001, consumer-oriented total imports amounted to U.S.$2.28 billion dollars.

- 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 PO2028, dated November 2002. To get a copy of this report, please visit the Foreign Agricultural Service home page, http://www.fas.usda.gov.



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.

- 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@usda.gov

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
www.aped.pt

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
www.aresp.pt

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

Av. António José de Almeida, 7-2º
1000-042 Lisboa
Tel: 351-21-793-8679
Fax: 351-21-793-8537
email: info@fipa.pt
www.fipa.pt

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
email: direccao@dgfcqa.min-agricultura.pt
www.min-agricultura.pt

Direcção Geral da Alfandega
(Customs General Directorate)
Rua da Alfandega, No. 5 r/c
1149-006 Lisboa
Tel. 351-218813700
Fax: 351-218813990
dgaiec@dgaiec.min-financas.pt
www.dgaiec.min-financas.pt

Direcção Geral das Relações Ecómicas Internacionais
(General Directorate for International Economic Relations) (Import Certificates)
Av. Da República, 79-5
1069-059 LISBOA
Tel. 351-217911800
Fax: 351-217930508
email: dgempresa@dgi.min-economica.pt
www.dgi.min-economica.pt

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/] **- 2001**	**$5,494/4%**
Consumer Food Imports From All Countries($Mil)/U.S. Market Share (%) [1/] **2001**	**$2,280/ 0.29%**
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/] **- 2001**	**$957/4%**
Total Population (Millions) / Annual Growth Rate (%) **- 2002**	**10.4/0.1%**
Urban Population (Millions) / Annual Growth Rate (%) **- 2002**	**3.5/0.1%**
Number of Major Metropolitan Areas	**2**
Size of the Middle Class (Millions) / Growth Rate (%) [2/] **- 2002**	**4.1/0.1%**
Per Capita Gross Domestic Product (U.S. Dollars) **- 2002**	**$10,547**
Unemployment Rate (%) **- 2002**	**5.1%**
Per Capita Food Expenditures (U.S. Dollars) [3/] **- 2002**	**$4,400**
Percent of Female Population Employed **- 2002**	**63%**
Exchange Rate (US$1 = 1 Euro) **September 2003**	**0.88 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)	1999	2000	2001	1999	2000	2001	1999	2000	2001
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2,225	2,111	2,280	12	6	7	0.54%	0.29%	0.29%
Snack Foods (Excl. Nuts)	195	171	166	1	1	1	0.23%	0.19%	0.22%
Breakfast Cereals & Pancake Mix	36	40	44	1	1	1	0.00%	0.05%	0.01%
Red Meats, Fresh/Chilled/Frozen	387	407	385	0	0	0	0%	0%	0%
Red Meats, Prepared/Preserved	60	56	65	0	0	0	0%	0%	0%
Poultry Meat	19	23	25	0	0	0	0%	0%	0%
Dairy Products (Excl. Cheese)	153	175	258	1	1	1	0.07%	0.05%	0.02%
Cheese	63	63	67	0	0	1	0%	0%	0.01%
Eggs & Products	9	10	13	0	1	1	0%	0.03%	0.03%
Fresh Fruit	278	249	328	1	1	1	0.19%	0.27%	0.01%
Fresh Vegetables	107	90	120	0	0	0	0%	0%	0%
Processed Fruit & Vegetables	159	151	147	1	1	1	0.44%	0.17%	0.19%
Fruit & Vegetable Juices	77	56	36	1	1	1	0.04%	0.04%	0.03%
Tree Nuts	23	20	18	4	1	2	0.18%	0.03%	0.08%
Wine & Beer	177	133	106	1	1	1	0.12%	0.03%	0.10%
Nursery Products & Cut Flowers	47	46	49	1	1	1	0.99%	0.52%	0.13%
Pet Foods (Dog & Cat Food)	58	55	66	3	1	1	5%	2%	1%
Other Consumer-Oriented Products	377	366	387	2	2	3	0.58%	0.63%	0.76%
FISH & SEAFOOD PRODUCTS	1,035	879	957	51	23	37	5%	3%	4%
Salmon	17	18	16	1	1	1	2%	3%	3%
Surimi	4	4	10	1	1	2	8%	6%	20%
Crustaceans	125	118	118	1	1	1	0.14%	0.53%	0.30%
Groundfish & Flatfish	522	412	467	49	20	33	9%	5%	7%
Molluscs	74	64	80	1	1	1	0.89%	2%	0.83%
Other Fishery Products	293	263	265	1	1	1	0.33%	0.24%	0.13%
AGRICULTURAL PRODUCTS TOTAL	4,137	3,850	4,068	167	170	168	4%	4%	4%
AGRICULTURAL, FISH & FORESTRY TOTAL	5,699	5,241	5,494	262	233	243	5%	4%	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)	1999	2000	2001
Spain	985,778	994,520	1,112,842
France	350,728	330,550	340,349
Germany	149,205	154,977	186,181
Netherlands	169,218	156,069	155,031
Belgium	62,962	62,095	64,985
Italy	116,357	62,638	57,379
United Kingdom	92,915	74,519	53,431
Costa Rica	13,671	24,993	40,744
Denmark	38,247	31,872	31,591
Brazil	23,732	25,217	30,964
Ecuador	15,320	12,478	25,366
Colombia	8,683	17,332	22,757
Ireland	50,411	42,811	22,601
Thailand	25,220	22,919	17,173
Panama	4,789	6,107	12,799
Other	118,245	91,369	106,232
World	2,225,492	2,110,540	2,280,431

FISH & SEAFOOD PRODUCTS IMPORTS			
(1,000)	1999	2000	
Spain	307,438	302,563	332,363
Iceland	91,435	108,790	106,709
Norway	190,057	114,928	106,462
Russian Federa	80,904	46,476	64,650
Denmark	64,861	28,511	42,792
United States	51,419	22,980	36,821
France	33,757	29,276	31,191
Netherlands	13,042	17,385	30,113
Mozambique	20,206	21,925	20,610
Germany	12,364	15,416	20,323
South Africa	0	17,353	18,348
Canada	9,006	11,004	11,949
Sweden	5,412	8,335	11,503
India	10,299	13,867	11,483
Greece	2,362	4,734	11,446
Other	142,777	115,398	100,452
World	1,035,345	878,949	957,216

Source: United Nations Statistics Division