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Growing Tourism and Improving Economy Opens Opportunities for U.S. Agriculture Exporters

Report Categories:
Exporter Guide

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Report Highlights:
In 2018, Portuguese imports of U.S. agriculture, fish, and forest products leaped 87 percent to $335 million. The positive macroeconomic environment in Portugal's post-crisis recovery opens new opportunities for U.S. agricultural exporters. This report provides guidance to U.S. companies interested in exporting consumer-oriented food products to Portugal and includes an overview of the country's economic situation, market structure, and export requirements.

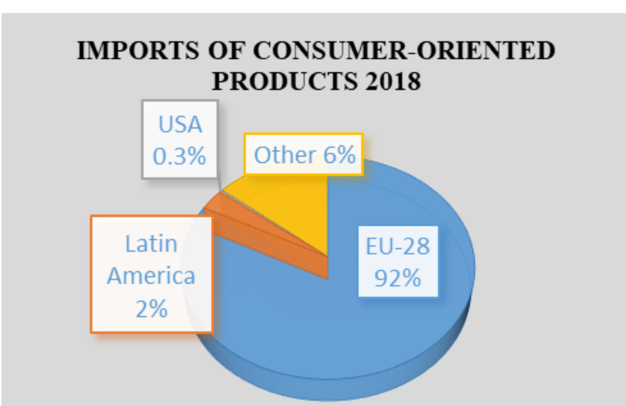
Market Fact Sheet: Portugal

In 2017, Portugal was the 14th economy in the European Union. After years of poor performance and austerity measures, Portugal's economic position has improved. The Portuguese economy is expected to grow 2.3 percent in 2018 after growing 2.8 percent in 2017. Portuguese agriculture employs 6.5 percent of the country's workforce, a relatively large number that faces low productivity levels. Portugal produces mainly olives, citrus, wine and vegetables. Portugal is the number one producer of cork in the world, produced mainly for export. The country has also a significant fish industry. In 2018, total imports of agricultural and related products reached $13.7 billion, up 8 percent compared to 2017. Almost 50 percent of these imports originated in Spain.

SWOT Analysis	
Strengths	***Weaknesses***
Broad-based employment growth	Low productivity
Opportunities	***Threats***
Tourist sector, improved domestic demand	Brexit uncertainty

Imports of Consumer-Oriented Products

Goods imported into Portugal must meet the EU sanitary and phytosanitary requirements to protect human and animal health and as part of the customs union. 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

In 2017, the food-processing sector consolidated its position and importance as the main industrial sector pushing the economic recovery. The food and beverage industry is the industry that contributes the most to the national economy, both in terms of turnover and value added. Portugal has a modern food-processing sector that pays special attention to the quality, safety, and traceability of the foodstuffs it produces. The Portuguese food industry offers an attractive target for U.S. food-ingredient exporters.

Food Processing Industry Facts 2017

Food Processing Industry	$19 billion
Output Food Exports	$5.5 billion
Food Imports	$8.0 billion
No. of Employees	112,962
No. of Food Processors	11,183
% of Industrial GDP	16%

Food Retail Industry

Portugal's improved economic environment increased consumer confidence and expenditures and contributed to better retail sales. In addition, Portugal continues to host record numbers of tourists, which also boosts food demand. In 2017, the largest store-based food retailers where Sonae (Continente), Jeronimo Martins (Pingo Doce) and Auchan (Jumbo). The Portuguese food retail market is highly concentrated and the five main players account for almost 70 percent of the market.

Top 10 Portugal Country Retailers 2017

Retail Organization	Ownership	Market Share 2017
SONAE SGPS S.A.	Portuguese	21.9 %
JERONIMO MARTINS S.A.	Portuguese	20.8%
AUCHAN GROUP S.A.	French	9.5%
LIDL	German	8.8%
INTERMARCHE S.A.	French	8.6%
DIA S.A.	Spanish	4.1%
E LECRERC	French	2.5%
ALDI	German	1.1%

Data and Information Sources: Euromonitor, GTA, Eurostat, FIAB
Contact: AgMadrid@fas.usda.gov

SECTION I. MARKET OVERVIEW

Portugal has the 14th largest economy in the European Union. Portugal's economic situation continues to improve after years of a gloomy economic environment. The European Commission estimates a growth of 2.3 percent in 2018, after growing 2.8 percent in 2017, confirming the strong economic momentum in the country.

The current population for Portugal is 10.3 million. Portugal is a very good gateway into third markets as it keeps close business ties with countries and territories including Brazil, Macau, Angola, Mozambique, and other African countries, where over 250 million people speak Portuguese. Portugal is also an excellent entry point into the EU market. Additionally, due to a deficit in agricultural and food goods, Portugal relies heavily on imports to supply its population. English is widely spoken, the population is friendly toward Americans, and the country has one of the lowest cost of business environments in Western Europe. For more economic details, please refer to the Economic Outlook section of the Portuguese Investment and Foreign Trade Agency (AICEP).

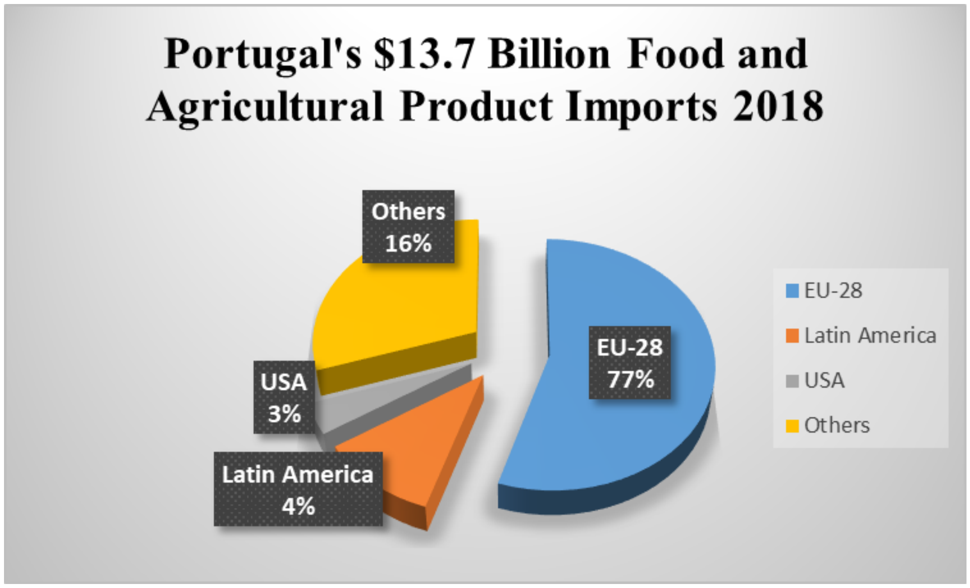
According to the National Institute for Statistics, in 2017, Portuguese tourism had another exceptional year, with 24.1 million tourists, an increase of 13 percent compared to 2016. Overall, the tourism sector generated $17.9 billion in revenue in 2017, contributing positively to GDP. Portuguese citizens' domestic travel increased by 7.3 percent. Foreign tourist travel grew more rapidly at 12.3 percent, representing 71.5 percent of the total and reaching 47.1 million overnight stays. British tourists continue to be the largest group but U.S. tourists reached 790,000 in 2017. Portugal's tourism market continues to boom, providing an important boost to the economy as it continues to recover from the economic downturn. From January to July 2018, revenue from tourism grew 12.9 percent, which signifies consecutive fifth year with double digit growth. The tourist sector is key for the economy, particularly for employment.

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

Advantages	Challenges
Good gateway to the Iberian Peninsula, Europe, and Portuguese speaking countries	Competition from neighboring EU countries, where tastes and traditional products may be better known
Domestic distribution systems are efficient and modern	Supermarket and hypermarket shelf space is expensive
Tourist sector is booming, which provides sales in the food sector, as well as demand for more international foods	High import tariffs, new and potential retaliatory tariffs, and import regulations impose a price disadvantage on non-EU based companies
Diversity of food products in the market is increasing. Consumers are becoming more open, creating opportunities for new and foreign products	Food imported from third countries, including the U.S., must comply with EU food law, which varies considerably from U.S. regulation and practice.
Portugal is a net importer of food and ag 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

Competition within Portugal's Food and Agricultural Product Import Market

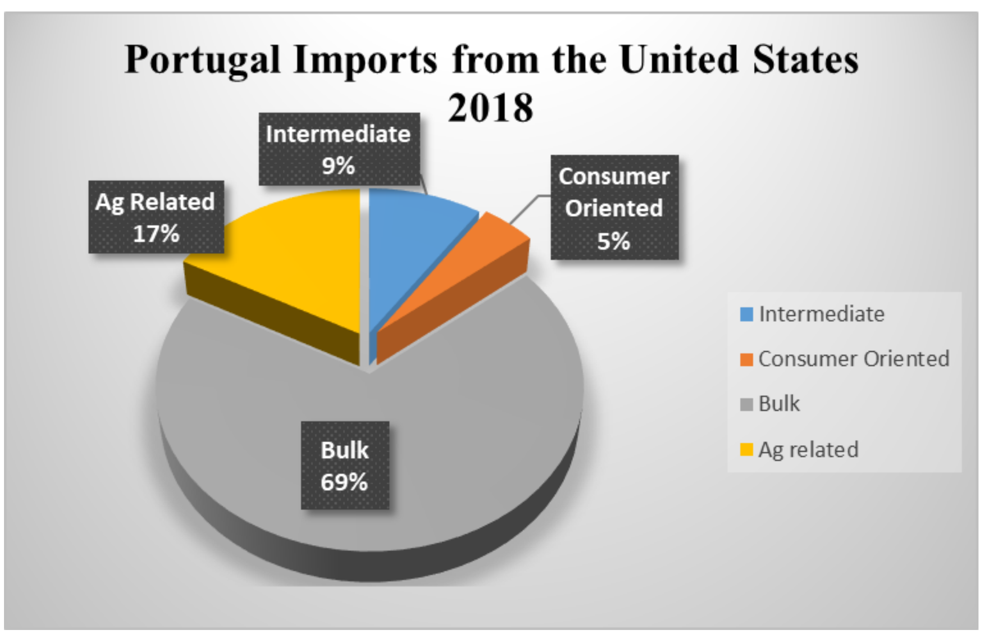
In 2018, Portugal imported $13.7 billion of agricultural products from the world. By regions, Portugal's main partner is the EU, as shown in the chart below:



SOURCE: Global Trade Atlas

Portuguese Market for U.S. Food and Agricultural Products

By category, the distribution of U.S. food and agricultural exports to Portugal has stayed consistent over the last five years, as shown in the chart below:



SOURCE: Global Trade Atlas

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs

Success in introducing your product in the Portuguese market depends on acquiring local representation and making personal contact. Both small and large U.S. exporters can benefit from finding the right person or group in Portugal who can provide advice and contacts. 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. In addition, the local contact will help U.S. firms identify an agent, distributor or representative for their products or services. 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 Porto and Lisbon. Typically, importers, brokers and/or distributors import directly food products.

While modern sales techniques are becoming more prevalent, many business people still prefer personal contact as a way of doing business. English is a widely spoken second language in Portugal, and U.S. exporters can expect to conduct their meetings with contacts in English.

Market Entry Strategies

Market entry strategies for US products intending to enter the Portuguese market should include:

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

General Consumer Tastes and Trends

After years of restriction and austerity, consumers situation is somewhat polarized. On the one hand, Portuguese consumers are price conscious and love promotions and discounts. In fact, 46 percent of retail sales in Portugal come from promotional products. This leads to more improvised decisions but also more restrictive in terms of spending, since consumers are on the hunt of promotional opportunities.

On the other hand, Portuguese consumption shows signs of recovery in the current post-crisis expansion and in reaction to that, consumer behavior is changing. In this positive environment, according to Nielsen, consumption both in-home and out-of-home is increasing. Consumers look for more leisure time, more quality, more innovation, and more convenience. There is growth in the more "premium" segments, provided that the consumer is willing to pay a higher price for products that bring more satisfaction. In addition, Portugal has a positive trend regarding convenience due to their views on maintaining a work-life balance. Small commercial set-ups occupy the largest share of the market and continue to grow. Consumers look for quick and easy shopping, as well as more convenient products that make their lives easier, and are willing to pay a higher price.

SECTION III. IMPORT FOODS 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.

Also, 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 EU.

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 EU has signed trade agreements. In some instances, negotiations and trade agreements in place between the EU and other countries provide for advantageous access to the European market.

Currently, the EU and the US 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 Portuguese territory. Therefore, the Portuguese agent/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 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 the EU's 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	2018 Portuguese Imports	5 Year Average Import Growth (% Value)	Key Constraints	Attraction for U.S. Exporters
Wine & Beer	$258 M	5%	Competition from other EU member states.	Growing interest in U.S. style beers and wines.
Tree Nuts	$112 M	9%	Complying with all import requirements.	Reliable domestic market for U.S. almonds, pistachios and walnuts.
Distilled Spirits	$135 M	-2%	Complying with all import requirements and legal format of alcohol containers.	Increasing interest in U.S. distilled drinks. **The average import growth from the U.S. in the last 5 years was 36 percent.**
Fish, Fresh or Chilled	$407 M	6%	Competition from other EU member states and third countries.	Good reputation of U.S. fish and seafood. High per capita consumption.
Dog and Cat Food	$186 M	2%	Complying with all import requirements.	Good image of U.S. products. Innovative products are attractive. **The average import growth from the U.S. in the last 5 years was 36 percent.**
Fish, Frozen	$562 M	5%	Competition from other EU member states and third countries.	Good reputation of U.S. fish and seafood. High per capita consumption. **The average import growth from the U.S. in the last 5 years was 20 percent.**

Food Retail Sector

The Portugal retail food market is diversified. Hypermarkets/supermarkets, convenience stores, major discount stores and specialized stores coexist with the traditional corner grocery stores, even though the total number of retail outlets has decreased significantly in the last decade.

Synopsis of the Portuguese Food Retail Sector:

- In Portugal, hyper and supermarkets account for around 70 percent of total food sales.
- There is increasing competition in the scope and range of product offerings, including ready-to-eat and/or ready-to-cook foods, take away meals, and home delivery and the prices and services retailers offer consumers. Healthy eating continues to be the main concern of consumers, above pleasure and lack of free time.
- Demand for convenience and proximity is increasing, as well as online shopping, particularly amongst the younger generations.
- One of the challenges for food retailers is the new household structures and aging of the population.
- Other EU Member States are the first suppliers of imported consumer-ready products, including seafood.

Hotel, Restaurant, Institution (HRI) Sector

The HRI sector expanded significantly during the mid 80's and 90's and into the 2000's, as a result of the profound social and economic changes unleashed upon Portugal's accession to the European Union (EU) in 1986. The expansion is not yet complete, nor has it slowed much over the years. This will likely create opportunities for U.S. exporters. In this regard, Portugal continues to host record number of tourists. National Institute for Statistics, Portuguese tourism had another exceptional year, with 24.1 million tourists, an increase of 13 percent over 2016 numbers. In addition, an improved economic situation and lower unemployment numbers are leading to higher spending in foodservice.

Synopsis of the Portuguese HRI sector:

- Portugal is becoming one of the top tourism destinations in Europe with the number of tourists increasing every year, boosting demand for meals in the HRI sector.
- Restaurant chains, including ethnic and fast food, are gaining market share and are expected to continue growing.
- Consumption of ready-to-eat/take away food continues to grow as consumers substitute home cooked meals for convenient and timesaving alternatives. Most hyper and supermarket chains now offer ready-to-eat/take away food, and there is an increasing

number of food outlets specializing in take-away food, ranging from barbecue to more traditional meals.

Food Processing Sector

Portugal's food and drink manufacturing industry is modern, with special attention to the quality, safety, and traceability of the foodstuffs it produces. In 2017, the processing sector was comprised of 11,183 food processors, primarily small and medium sized companies. The sector employed 112,962 people across the country, and the Portuguese food processing industry had an annual turnover of $19 billion in 2017. Within the Portuguese food processing industry meat processing, bakery, wine and dairy industries account for the largest production values. The Portuguese food industry is an attractive target for U.S. food-ingredient exporters.

Synopsis of the Portuguese food-processing sector:

- The food and beverage industry is the industry that contributes the most to the national economy, both in terms of turnout and value added.
- Modern, with special attention to the quality, safety, and traceability of the food products it produces.
- Represents 16 percent of Portugal's total industrial production.
- The industry characterizes by a large number of medium and small companies— 97 percent of the companies employ less than 50 people.
- The largest producing sectors are beverages (20 percent), followed by meat preparation and preservation (15 percent).
- In 2017, the industry exported $5.5 billion and imported $8 billion.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

Agricultural and Food Import Statistics

AGRICULTURAL PRODUCTS IMPORTS ($ Million)					
	2014	**2015**	**2016**	**2017**	**2018**
Total Agricultural & Related Total	12,664	11,095	11,514	12,724	13,726
Total U.S. Agricultural & Related Total	349	253	237	203	411
Total Agricultural Products	9,636	8,279	8,461	9,508	10,260
Total U.S. Agricultural Products	295	190	182	154	298
Total Fish Products	2,057	1,932	2,110	2,387	2,552
Total U.S. Fish Products	17	28	21	16	27

(*) Estimate
Source: Global Trade Atlas (www.gtis.com)

Consumer-Oriented Products Prospects Category

Products Present in the Market That Have Good Sales Potential

- Tree nuts, particularly almonds, walnuts, and pistachios
- Peanuts
- Pulses
- Pet foods
- Fish and seafood, fresh and frozen
- Distilled spirits

Products Not Present in Significant Quantities With Good Sales Potential

- Beverages (wine and beer)
- Non-alcoholic beverages (excluding juices)
- High value beef meat (only non-hormone treated cattle)
- Rice

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 in Madrid at the following address:

Foreign Agricultural Service American Embassy Madrid
C/Serrano, 75
28006 Madrid Spain
Tel.: +34-91 587 2555
Email: AgMadrid@fas.usda.gov
Web: https://es.usembassy.gov/business/

The FAS website offers recent reports of interest to U.S. exporters interested in the Portuguese market. Additionally, please find below a list of trade associations and useful government agencies:

Trade Associations

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

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

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

Government Agencies

Direcção-Geral de Agricultura e Desenvolvimento Rural
(General Directorate for Agriculture and Rural Development)

ASAE - Autoridade da Segurança Alimentar e Económica
(Food Safety and Economic Authority)

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)

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