

Voluntary Report – Voluntary - Public Distribution

Date: December 07, 2021

Report Number: PO2021-0020

Report Name: Portugal Exporter Guide 2021 Update

Country: Portugal

Post: Madrid

Report Category: Exporter Guide

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Report Highlights:

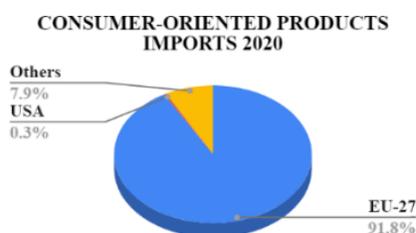
In 2020, Portugal imported \$250 million worth of agricultural, fish and forestry products from the United States. Outside the European Union member states, the United States was the second main origin of Portuguese agricultural and related imports after Brazil. Despite the pandemic and other trade-related challenges, the total value of U.S. exports of agricultural and related products to Portugal rose 16 percent from January to September 2021 compared to the previous year. The economy is forecast to rebound strongly from the COVID-19 pandemic in the short term, although tourism, the key sector in the Portuguese economy, could still be slow to recover, particularly after the new measures put in place by the Government on December 1, 2021. This report is an update of report PO2021-0005 and 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.

Executive Summary

Portuguese agriculture employs 5.5 percent of the country's workforce, producing 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 \$13.4 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 ingredients.

Food Retail Industry

The Portuguese retail market is highly diversified. The market is mainly dominated by two national groups, Sonae and Jerónimo Martins, the leaders of the national retail sector accounting for approximately 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. Other players, like Mercadona or Aldi, with ambitious expansion plans, are increasingly gaining 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 2020

Food Industry Output	\$20.0 bn*
Food Exports	\$5.7 bn
Food Imports	\$7.9 bn
No. of Employees	118,000*
No. of Food Processors	11,500*
% of total GDP	12.5%*

*Estimate

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 - Minipreço | 3.9% |

GDP / Population 2020

Population: 10.4 million

GDP current prices: \$225,758 billion

GDP Per capita current prices: \$21,922

Sources: FIPA, Hipersuper, TDM, GATS, Eurostat

SWOT ANALYSIS

<i>Strengths</i>	<i>Weaknesses</i>
<i>Growing manufacturing industry (food products)</i>	<i>Highly vulnerable to pandemic-sensitive sectors (tourism)</i>
<i>Opportunities</i>	<i>Threats</i>
<i>Lifting of steel and aluminum tariffs; emphasis on health & sustainability</i>	<i>COVID-19's impact on income levels and the economy; high inflation rates</i>

Data and Information Sources: Euromonitor, Eurostat, Trade Data Monitor, LLC

Contact: AgLisbon@fas.usda.gov

SECTION I. MARKET OVERVIEW

The Portuguese economy faced 2020 from a position of strength and economic growth. However, the COVID-19 pandemic changed completely the economic outlook and the economy shrank 7.6 percent in 2020. This represents the most significant economic contraction since Portugal's return to democracy in 1974. In their latest [World Economic Outlook report](#) for 2021 and 2022, the International Monetary Fund (IMF) forecasts a 4.4 percent growth for the Portuguese economy in 2021. At the same time, the IMF increases the forecast of Portuguese GDP for 2022 to 5.1 percent, which indicates that the economic recovery from the COVID-19 crisis is on track, although a bit slower than expected. Even though the estimated growth for Portugal in 2022 is above the average Euro area growth, it is expected to take longer to return to pre-pandemic levels since Portugal experienced a strong setback in 2020, when output fell by 8.4 percent. The projected economic growth will be supported by gradually increased demand, due in large part to the national recovery plan and the absorption of EU pandemic recovery funds, as well as a gradual recovery of tourism.

Portugal is among the most highly vaccinated countries in the world, with roughly 87 percent of its population of 10.3 million fully vaccinated. Despite the improvement in the epidemiological developments, the potential incidence of new variants and countries' different levels of vaccination statuses continue to bring a certain degree of uncertainty both to the short and medium-term economic outlook. In fact, at the time of writing this report, Portugal announced new COVID-19 restrictions effective December 1, 2021. Despite having one of the world's highest rates of COVID-19 vaccination, Portugal will return to a State of Calamity due to the need to limit COVID-19 spread in the lead up to the holiday season and prevent the return of general confinement measures. The measures include new restrictions for all travelers flying into Portugal.

Tourism recovery is likely to be subdued in short term: Portugal's economy was severely impact by the COVID-19 pandemic, largely owing to the severity of the effect on tourism resulting from closed borders and travel restrictions. The sector accounts for around 15 percent of GDP, as well as an important source of employment. Tourism partly recovered in 2021 though is still far from pre-COVID figures. In the first nine months of 2021, revenue exceeded the total of the year 2020, but was still half of the revenue observed in the same period of 2019. Overnight stays recorded in the first nine months of 2021 already exceeded the value recorded for the entire year of 2020. Between January and September 2021, considering all types of accommodation, there were 11.1 million guests and 30.2 million overnight stays, corresponding to increases of 14.5 percent and 18.7 percent, respectively. Portugal, one of Europe's most tourism-dependent countries, expects annual tourism numbers to hit a pre-pandemic level in 2023, as the country continues to vaccinate against the coronavirus and ease restrictions of travel. The ability for tourist activity to recover will be critical to Portugal's economic performance in 2022.

In terms of population and demographic trends, Portugal has an ageing population but stable incomes: low birth rates and mounting life expectancy mean that ageing will accelerate. Only older age groups are set to expand, affecting the future consumer landscape as spending patterns adapt to changing lifestyles. Thus, population is expected to age rapidly, and this trend is forecast to continue in the next decade. Correspondingly, 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 this segment of the population.

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 new products in the Portuguese 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:

- Market research to assess product opportunities;
- Advanced calculations of the cost of introducing the product in the Portuguese market 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; and
- 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. It is recommended that U.S. exporters verify all import requirements with their Portuguese buyer. The buyer and local freight forwarder are in the best position to research such matters and assist with local authorities. The final authorization to import any product is subject to the Portuguese rules and regulations as interpreted by border officials at the time of product entry.

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 food for consumers; local production is not sufficient to fulfill domestic demand.

Source: [GATS](#)

Food Retail Sector

According to Euromonitor, supermarkets in Portugal lost some momentum in 2020 as the category recorded a lower retail growth rate than in previous years. This was driven primarily by a shift in purchasing habits during the COVID-19 pandemic. The restrictions and the threat of COVID-19 infection changed consumers priorities when considering where to purchase their groceries.

During the COVID-19 pandemic, fear of stock shortages and inflation caused many consumers in Portugal to stock ingredients. For stockpiling, however, consumers preferred larger stores with a wider range of products and a higher level of stock in 2020, such as hypermarkets. On the other hand, as consumers swapped to working from home and were subject to different levels of restrictions, many favored the convenience of proximity for everyday purchases, choosing convenience stores instead of supermarkets. Thus, consumers adjusted their shopping habits to the conditions of the COVID-19 pandemic in 2020, adopting new routines to match the changes that the pandemic brought to their lives. Very large (hypermarkets) and very small stores (convenience) took on specific roles during the pandemic, whereas middle-sized stores, such as those in supermarkets, did not benefit from the lifestyle changes of the COVID-19 pandemic.

Discounters are projecting record strong growth in the medium term, despite a slightly lower growth rate in 2021 as the category stabilizes in the aftermath of COVID-19. Strong growth for discounters will be primarily driven by the continued high level of planned investment in this category, as discounters continue to plan new openings and to grow in the coming years. Players with ambitious expansion plans such as Mercadona, Aldi, and Lidl will put increasing pressure on supermarkets to remain competitive and will continue to challenge the major and well-established players in the supermarkets sector.

Top Portugal Country Retailers in 2020

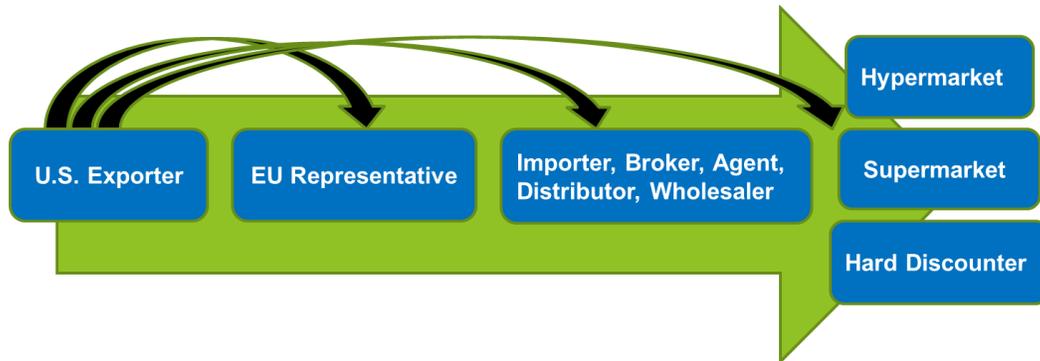
Retail Organization	Ownership	Market Share
Sonae MC	Portuguese	26.8%
Grupo Jerónimo Martins	Portuguese	22.9%
Lidl	German	11.3%
Intermarché	French	8.8 %
Auchan	French	5.6%
DIA - Minipreço	Spanish	3.9%

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. 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:

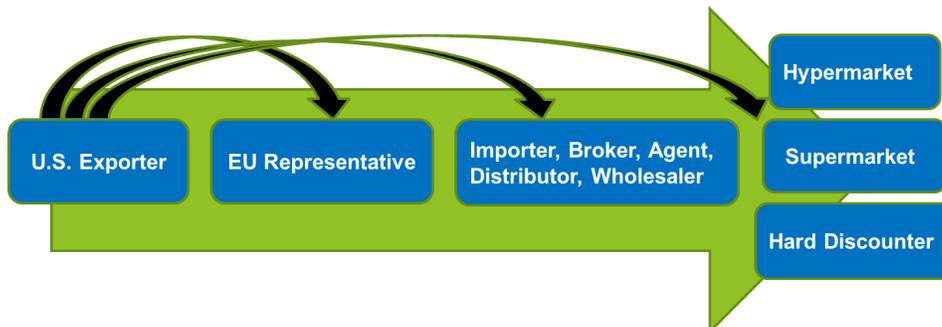


For more information on the Portuguese retail sector, visit [FAS GAIN Home](#).

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 was devastating during 2020. Despite being one of the sectors most affected by the pandemic, both the tourist and HRI sector started to experience some recovery during 2021. The successful roll out of vaccines and the recovery of the country’s tourism industry have been key to HRI growth in 2021. Nevertheless, given the prevailing economic uncertainty worldwide and the volatile nature of the situation, it seems unlikely that sales will return to pre-COVID-19 levels in the near future. As such, establishments will need to remain flexible, focusing on the continuous development of services such as takeaway and home delivery, which have been key for the survival of many hospitality establishments. In addition, they may also need to adapt their menus and pricing to help gain the interest of locals.

Market Structure:



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

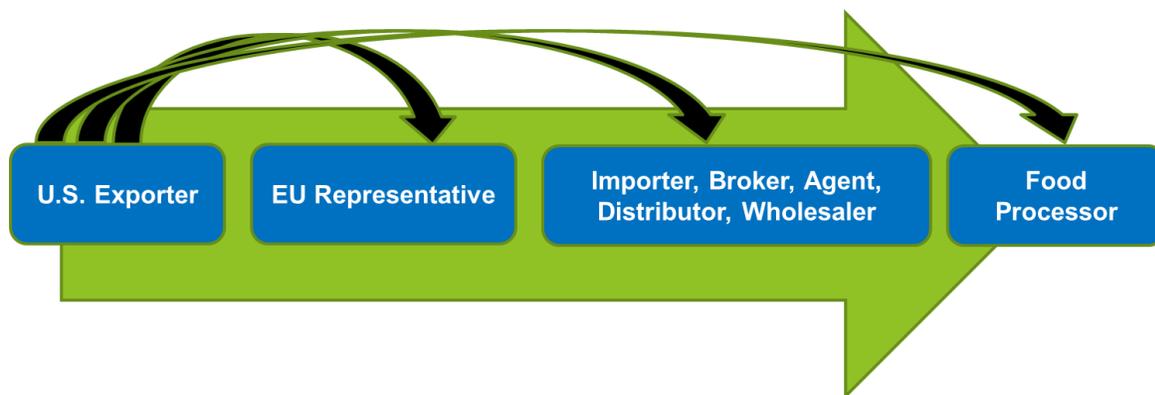
Food Processing Sector

The agri-food industry is increasingly a strategic sector for Portugal, given its contributions to the economy, employment, and regional development. In 2020, it is estimated that this sector included 11,500 companies, with 118,000 direct jobs. The food industry in Portugal consists of mostly small and medium sized companies. The industry produced an estimated \$20 billion worth of food products in 2020. Exports continue to be critical for the development of the industry and were valued at \$5.7 billion in 2020.

Until 2019, the sector recorded growth, both in the domestic market and in exports. However, 2020 brought unprecedented challenges and 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 initial closures of the HRI channel with consecutive restrictions, and the lower number of tourists, severely hit those companies highly dependent on the hospitality channel.

In 2021, the Portuguese agri-food industry continued to be robust and very much focused on strengthening their export markets, which are critical to the prosperity of the industry. The industry continues to keep businesses running to respond to consumers demand but uncertainties caused by the COVID-19 health crisis worldwide are expected to create difficulties. Nevertheless, this resilient and innovative food processing sector offers prospects for U.S. food ingredients.

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	2017	2018	2019	2020	2021*
Total Agricultural and Related Products	13,146	14,270	13,809	13,413	14,000
Total U.S. Agricultural and Related Products	205	413	321	250	300
Total Agricultural Related Products	3,236	3,508	3,336	3,003	3,300
Total U.S. Agricultural Related Products	48	67	62	52	50
Total Consumer-Oriented Products	6,006	6,720	6,690	6,625	7,000
Total U.S. Consumer-Oriented Products	21	24	36	24	22
Total Fish Products	2,401	2,577	2,411	2,169	2,300
Total U.S. Fish Products	16	27	31	21	17

Source: Trade Data Monitor LLC; Unit: \$ Million

(*) Estimate

Best High-Value, Consumer-Oriented Product Prospects Category

Products Present in the Market with Good Sales Potential

Tree nuts (almonds, walnuts, and pistachios) -- Frozen Fish (cod and salmon) -- Pulses (chickpeas) -- Pet food -- Condiments & Sauces -- Food preparations

Products Not Present in Significant Quantities with Good Sales Potential

Functional and innovative health food -- Processed Vegetables -- Chocolate & Cocoa Products -- Dairy Products

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. Additional useful contacts are below:

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.