

Voluntary Report – Voluntary - Public Distribution

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Report Name: Portuguese Wine Exports Rise in 2020 Despite COVID-19 Challenges

Country: Portugal

Post: Madrid

Report Category: Wine

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Report Highlights:

Portugal is divided into 14 main wine producing regions. Portuguese wine production for Marketing Year 2020/21 is estimated to drop three percent to 6.3 million hectoliters due to unstable weather conditions. Despite the COVID-19 pandemic, during MY 2019/20, Portugal remained a net exporter of wine with exports rising five percent and valued at \$936 million. Additionally, renewed Portuguese consumer interest in prime quality wines continues to create opportunities for wine imports.

Executive Summary

According to the International Wine Organization (OIV), Portugal is the fifth largest wine producer in the EU and eleventh largest in the world. The Portuguese wine grapes area is the fourth largest in the EU after Spain, Italy, and France. In 2019, the Portuguese planted area for wine grapes stood at 192,743 hectares (ha), a 9 percent reduction compared to the last ten-year average. The major wine-producing Portuguese regions are Douro-Porto, Lisboa, and Alentejo.

According to the Portuguese wine sector, for Marketing Year (MY) (October/September) 2020/21, wine production is estimated to lower three percent from last season to 6.3 million hectoliters (MHL). This level is two percent lower than the average five-years period. The expected decrease in wine production is due to meteorological instability during the crops vegetative cycle.

In 2020, due to the COVID-19 pandemic and the temporary closure of the hospitality sector, the Government of Portugal availed a package of measures to support the wine sector worth \$22 million. However, Portuguese wine producers only used 60 percent of the aid (\$8.5 million). Additionally, the Portuguese wine industry reports that in 2020, the sector suffered a 50 percent drop in wine sales to domestic Hotels, Restaurants, and Institutions (HRI) due to the government-mandated lockdown in response to the pandemic. Portuguese industry sources do not expect the situation to improve in the coming months, as the epidemiological situation continues to evolve.

Portugal is a net exporter of wine and is focused on diversifying market destinations. According to Trade Data Monitor (TDM), during Marketing Year (October/September) 2019/20 and despite the COVID-19 pandemic, Portugal's global wine exports grew by five percent in volume and 1.7 percent in value compared to the same period of the previous year. Exports during this period were valued at \$936 million and amounted to 306 million liters. The growth was especially important in non-EU markets namely the United States, the UK, Brazil, Canada, and the Baltic countries with significant declines in France, Angola, Germany, and China.

Portugal also imported around \$190 million worth of wine during MY 2019/20, 0.6 percent lower than previous period and chiefly from other European countries. However, over the last five years, the continued rise in the Portuguese purchasing power combined with a growing consumer interest in new and prime quality wines has spurred wine imports. During the last decade, Portuguese imports of U.S. wines (mainly bottled) have increased reaching \$337,000 in MY2018/19. However, the closure of the hospitality sector in response to COVID-19 discouraged Portuguese imports of U.S. wine by 70 percent during MY 2019/20 to \$107,000. Notwithstanding, new consumer trends, new categories of products, new forms of sales and e-commerce will continue to contribute to the rise of both Portugal's wine imports and exports.

Production

Portugal has 14 main wine regions, all producing high quality wines (see Map 1). According to the [Portuguese Wine Institute](#) (IVV), in 2019, Portugal's wine grapes planted area stood at 192,743 hectares (ha), a 9 percent drop compared to the last ten-year average (see Chart 1). Portugal's wine grapes area ranks fourth in the EU after Spain, France, and Italy. The regions of Douro/Tras-Os Montes, Beiras, Alentejo, Minho, and Lisbon are the most relevant in terms of area planted. Around 70 percent of the grapes are designated as Protected Denomination of Origin (PDO), 20 percent are Geographical Indication (GI), and the rest of the grapes are destined for other wines.

Map 1. Portugal's Wine Regions



Source: [Wines of Portugal](#)

Chart 1. Area of Portuguese Wine Regions 2010-2019 (ha)

Portuguese Wine Region	7/31/2010	7/31/2011	7/31/2012	7/31/2013	7/31/2014	7/31/2015	7/31/2016	7/31/2017	7/31/2018	7/31/2019
Minho	30,908	31,060	30,565	29,037	27,432	20,433	21,020	21,307	21,973	23,999
Trás-os-Montes / Douro e Porto	68,898	69,062	68,426	66,374	66,914	59,972	57,147	56,534	56,094	56,115
<i>Trás-os-Montes</i>	---	---	---	---	23,303	17,788	14,381	14,510	13,539	12,252
<i>Douro e Porto</i>	---	---	---	---	43,611	42,184	42,766	42,023	42,556	43,863
Beiras	56,242	56,074	55,922	54,804	52,670	53,100	47,940	47,653	46,401	44,090
Terras de Cister	---	---	---	---	---	---	2,520	2,161	2,184	2,346
Beira Atlântico	---	---	---	---	---	---	15,086	15,134	14,630	13,693
Terras da Beira	---	---	---	---	---	---	15,687	15,520	15,110	14,328
Terras do Dão	---	---	---	---	---	---	14,647	14,837	14,476	13,723
Tejo	18,082	17,892	17,230	16,197	15,653	13,589	12,874	12,221	11,944	12,517
Lisboa	24,527	24,507	24,241	23,756	22,425	20,359	19,186	18,641	17,989	19,287
Península de Setúbal	9,182	9,196	9,011	8,740	8,622	7,556	7,208	7,213	7,265	7,866
Alentejo	23,785	23,904	23,438	23,204	23,188	21,816	23,375	23,879	24,544	24,709
Algarve	1,985	1,986	1,976	1,963	1,773	1,858	1,722	1,434	1,352	1,404
Total - Mainland Portugal	233,597	233,680	230,810	224,074	218,677	198,683	190,467	188,881	187,562	189,988
Açores	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,708	1,708
Madeira	1,423	1,436	1,433	1,090	1,071	1,061	1,052	1,051	1,052	1,047
Total - Islands	3,123	3,136	3,133	2,790	2,771	2,761	2,752	2,751	2,760	2,755
Total	236,720	236,816	233,943	226,864	221,448	201,444	193,219	191,632	190,322	192,743

Source: IVV

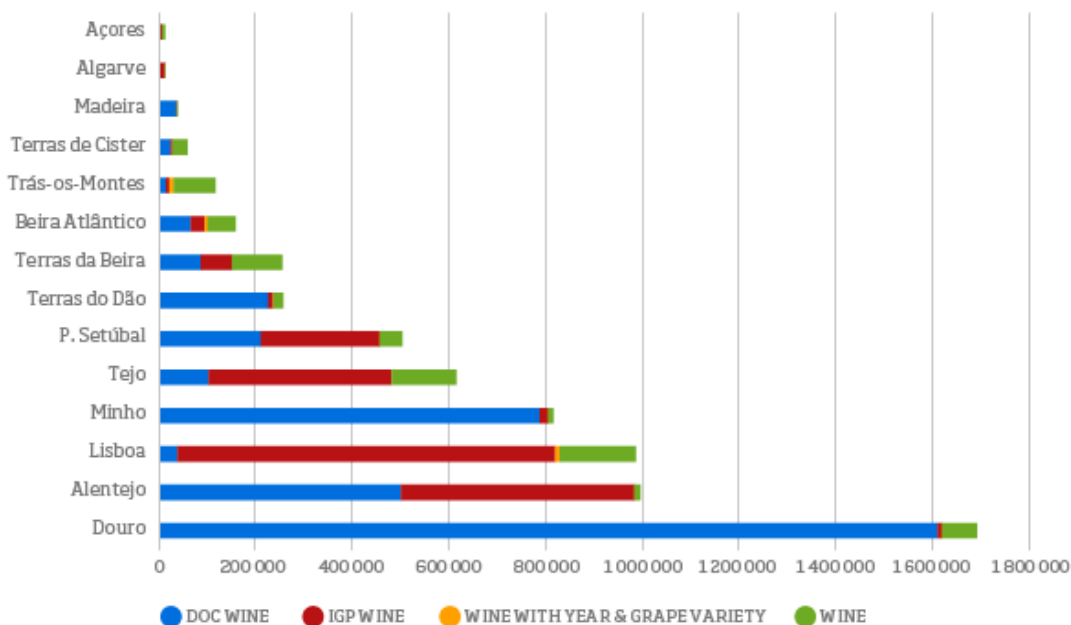
The Portuguese wine sector estimates Marketing Year (MY) 2020/21 wine production will drop three percent to 6.3 million hectoliters (MHI). This estimated level of production is also two percent lower than the last five-year average of 6.48 MHI (see Chart 2). Around 53 percent of the wines produced are PDO wines, 33 percent are GI wines, and the rest are wines without PDO/GI designation (see Chart 3). The decrease in overall wine production is based on forecast lower production in the wine regions of Terras de Cister (-35%), Trás-os-Montes (-20%), Douro and Porto (-20%), Terras do Dão (-20%) and the Azores (-15%). Conversely, production in the remaining regions, are forecast to increase, especially the Minho region with the largest increase in volume (+73 thousand hl) and the Lisboa region, with the highest percentage growth. Despite the meteorological instability observed throughout the crop's vegetative cycle and outbreaks of downy mildew, in general, the grapes were in good phytosanitary condition. Portugal is the fifth largest EU wine producer after Italy, France, Spain, and Germany and the eleventh worldwide according to the [International Wine Organization](#) (OIV).

Chart 2. Portuguese Wine Production by Region in MY 2020/21 (MHI)

Região Vitivinícola	Volume (milhares de hl)			Variação 2020/21	
	Média 5 Campanhas	2019/2020	2020/2021	vs. Média	vs. 2019/20
Minho	831	816	817	-2%	0%
Trás-os-Montes	89	118	93	4%	-22%
Douro e Porto	1.470	1.692	1.261	-14%	-26%
Beira Atlântico	213	159	172	-19%	8%
Terras do Dão	266	257	188	-29%	-27%
Terras da Beira	218	256	218	0%	-15%
Terras de Cister	57	59	36	-37%	-39%
Tejo	612	616	648	6%	5%
Lisboa	1.117	987	1.226	10%	24%
Península Setúbal	494	504	471	-5%	-6%
Alentejo	1.049	996	1.130	8%	13%
Algarve	14	14	13	-11%	-10%
Madeira (*)	39	39	42	7%	9%
Açores	10	13	8	-19%	-42%
TOTAL PORTUGAL	6.479	6.527	6.321	-2%	-3%

Source: Wines of Portugal

Chart 3. 2019/2020 Portuguese Regional Wine Production by Category (Hl)



Source: Wines of Portugal

In Portugal, the support scheme for the restructuring and conversion of vineyards (VITIS) counts on a budget of \$61 million for the 2021-2022 season. The priority criteria is for vineyards that are intended for organic production, producers with family farming status, historic vineyards and projects of national interest (PIN). Additionally, in 2020, due to the COVID-19 pandemic and the closure of the hospitality sector, the Government of Portugal availed a package of measures to support the wine sector worth \$22 million. Out of this total, \$14.6 million were destined to address what was referred to a “crisis distillation” and the remaining \$7.4 million for storage. However, Portuguese wine producers only used 60 percent of the COVID-19 aid or \$8.5 million.

Consumption

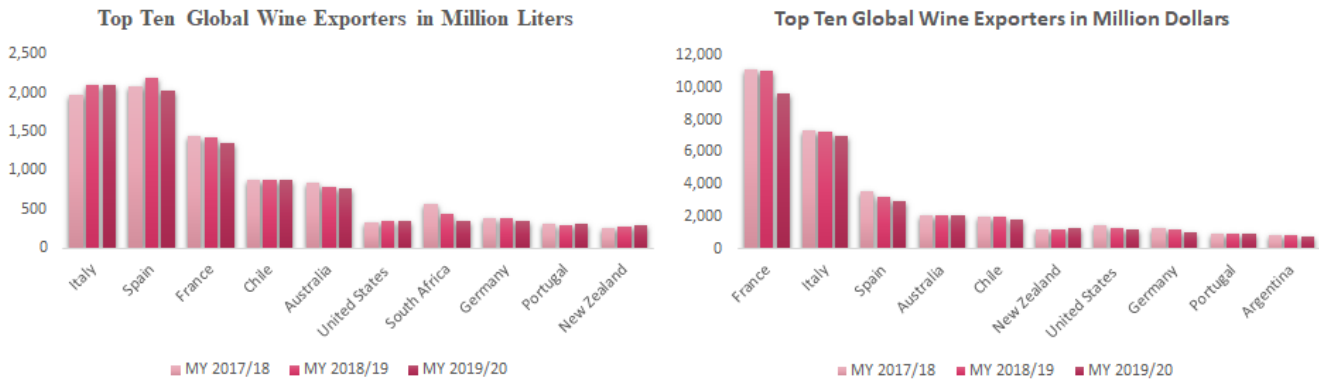
In 2019, according to OIV, the EU accounted for 53 percent of the world’s wine consumption, contributing an estimated volume of about 128 million hectoliters (MHL), and consistent with recent years. Portuguese wine consumption is stable at 5.0 MHL, ranking eleventh worldwide with one of the highest per capita consumption in the world. Portuguese wine consumers are knowledgeable of the product and the new generation of winemakers are also well traveled.

In 2020, according to the Portuguese wine and spirits association, Portugal's wine sector sales to domestic Hotels, Restaurants, and Institutions (HRI) dropped 50 percent due to the mandated lockdown in response to COVID-19. Thus, in 2020, domestic wine consumption is expected to decline by eight percent to 4.6 MHL and may continue below 5 MHL in 2021. Portuguese wine contacts report that the situation is not expected to improve in the coming months, as the epidemiological situation continues to evolve in Portugal and the rest of the EU. In addition, consumer confidence remains low, and the flow of tourism will be catastrophically lower compared to previous years. In Portugal, the wine sector is a major driver of the Portuguese economy, and a relevant sector to maintain rural areas as it provides employment, investments, economic stability, and environmental sustainability.

Trade

Portugal is a net exporter of wine. In MY 2019/20, according to Trade Data Monitor (TDM), Portugal was within the top ten global wine exporters in volume with 306 million liters exported and valued at \$936 million (see Chart 4). Over the past few years, Portugal's wine sector strategy has been to diversify its export markets.

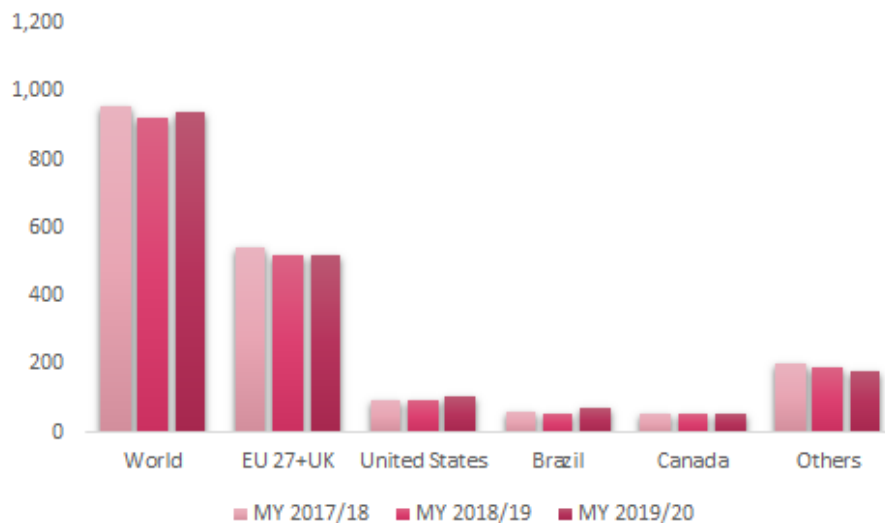
Chart 4. Top Ten Global Wine Exporters MY 2018-2020



Source: TDM

TDM statistics show that during MY 2019/20, despite COVID-19, total Portugal's wine exports rose five percent in volume and 1.7 percent in value compared to the previous season mainly as bottled wines (see Chart 5). Fifty-five percent of Portuguese wine exports during this period were destined to the EU-27+UK. However, exports outside the EU grew significantly due to the closure of domestic HRI. Portuguese exports dropped significantly in France, Angola, Germany, and China. Conversely, exports grew strongly in the United States, the UK, Brazil, Canada, and the Baltic countries. Portuguese wine shipments to Brazil grew by 23 percent to \$71 million. Similarly, over the last decade, shipments to the United States have trended upwards. Since MY 2016/17, the U.S. market became Portugal's second largest wine export destination following the French market.

Chart 5. Portugal's Wine Export MY 2018-2020 (Million USD)



Source: TDM

During MY 2019/20, Portuguese wine exports to the United States increased ten percent to \$106 million. In addition, U.S. tariffs related to the World Trade Organization (WTO) case against EU aircraft subsidies did not affect Portuguese wine exports.

In 2021, the Portuguese wine organization that markets national wines, Wines of Portugal plans to invest \$8.7 million in international wine promotions, which is one of the organization's largest investments in marketing activities. The plan for the next year foresees actions in 21 markets, both face-to-face and virtual formats, namely the participation in the major international wine fairs, wine tastings, and masterclasses to make Portuguese wines known to importers, sommeliers, influencers, media, and other professionals in the sector. In addition to the traditional wine export markets, in 2021, Portugal's wine sector also intends to invest in new markets, with promotional activities envisioned in Belgium, Denmark, Ukraine, and Mexico. China, despite the drop in 2020, remains a strategic market for Portuguese wines as is expanding its presence to new cities in the Chinese market.

Despite its focus on national production to satisfy domestic and export demand, Portugal also imports a diverse range of wines, both for the Portuguese population and for the tourism industry. During MY 2019/20, the value of imported wine in Portugal decreased 0.6 percent to \$190 million compared to last season. COVID-19 and related confinement and HRI closure measures discouraged imports. Correspondingly, after trending upward for the last decade, Portuguese imports of U.S. wines plummeted 70 percent to \$107,000.

The main wine suppliers to the Portuguese market are other EU countries, namely Spain, Italy, and France. Prior to 2020, the rise of the Portuguese purchasing power over the last 30 years, together with a renewed interest in prime quality wines had created an upward trend in imported wines. Additionally, the creation of many trendy wine bars was also fueling wine consumption. These trends could recover depending on the evolution of the COVID-19 pandemic.

Attachments:

No Attachments.